

DAVID Y. IGE  
GOVERNOR



DEPT. COMM. NO. 106

RANDALL Y. IWASE  
CHAIR

MICHAEL E. CHAMPLEY  
COMMISSIONER

LORRAINE H. AKIBA  
COMMISSIONER

STATE OF HAWAII  
PUBLIC UTILITIES COMMISSION  
465 S. KING STREET, #103  
HONOLULU, HAWAII 96813

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June 25, 2015

The Honorable Ronald D. Kouchi  
President of the Senate  
State Capitol, Room 409  
415 South Beretania Street  
Honolulu, Hawaii 96813

The Honorable Joseph M. Souki  
Speaker of the House  
State Capitol, Room 431  
Honolulu, Hawaii 96813

Re: Docket No. 2012-0148, Waikoloa Water Company, Inc., dba West Hawaii Water Company – Application for Approval of a General Rate Increase and Revisions to its Tariff

Dear Senate President Kouchi and House Speaker Souki:

The Public Utilities Commission ("Commission") respectfully submits this report in accordance with Hawaii Revised Statutes ("HRS") § 269-16(f)(3). With respect to a completed rate case application filed with the Commission by a public utility having annual gross revenues of less than \$2,000,000, HRS § 269-16(f)(3) states in relevant part:

(f)(3) [T]he commission shall [m]ake every effort to complete its deliberations and issue a proposed decision and order within six months from the date the public utility files a completed application with the commission; provided that all parties to the proceeding strictly comply with the procedural schedule established by the commission and no person is permitted to intervene. If a proposed decision and order is rendered after the six-month period, the commission shall report in writing the reasons therefor to the legislature within thirty days after rendering the proposed decision and order.

HRS § 269-16(f)(3) (emphasis added).

The Parties in this rate case proceeding are West Hawaii Water Company ("WHWC") and the Department of Commerce and Consumer Affairs, Division of Consumer Advocacy ("Consumer Advocate"), an ex officio party, pursuant to HRS § 269-51 and Hawaii Administrative Rules § 6-61-62(a) (collectively, the "Parties").

WHWC is a public utility that provides water services, including private fire service, to residences, condominiums, and commercial establishments in the Waikoloa Village service area.

By way of procedural background:

1. On August 28, 2012, WHWC filed its completed application for a general rate increase and other related matters, based on the 2012-2013 mid-year test year ("Test Year").
2. On November 5, 2012, the Parties submitted a Proposed Stipulated Procedural Schedule, wherein WHWC (1) recognized that under HRS § 269-16(f), the Commission is required to issue a Proposed Decision and Order within six months of the filing of WHWC's Application (specifically, by February 28, 2013), and (2) noted that by agreeing to the Parties' Stipulated Procedural Schedule, WHWC was willing to extend the six-month deadline by a period of one month (i.e., March 28, 2013).
3. On December 5, 2012, the Commission issued Order No. 30873 approving the Parties' Stipulated Procedural Schedule, with a modification. Based upon WHWC's voluntary extension of the timeframe for the Commission to issue a Proposed Decision and Order, and consistent with prior Commission decisions, the Commission changed the deadline for the filing of the Commission's Proposed Decision and Order from March 28, 2013, to a date to be determined by the Commission.
4. On February 19, 2013, the Consumer Advocate filed its direct testimonies and exhibits.
5. Thereafter, the Parties commenced settlement discussions. As a result, on August 14, 2013, the Parties filed their Stipulation in Lieu of an Evidentiary Hearing ("Settlement Agreement") to propose a global resolution to all of the issues in the subject Docket.
6. As part of its review, the Commission issued clarifying information requests on March 20 and May 29, 2014.

7. On February 19, 2015, the Commission issued its Decision and Order No. 32685, approving an increase of \$103,178, or approximately 4.77% over revenues at present rates for WHWC, based on a total Test Year revenue requirement of \$2,264,991. In so doing, the Commission approved, in part, the Parties' Settlement Agreement.

8. On March 2, 2015, WHWC filed a Motion for Reconsideration, alleging that Decision and Order No. 32685, while substantively correct, contained certain mathematical errors. WHWC also sought to toll the deadline to file its re-calculated rates and charges until the Commission ruled on the Motion for Reconsideration.

9. On March 9, 2015, the Commission issued Order No. 32700 tolling the deadline for WHWC to file its re-calculated rates and charges until WHWC's Motion for Reconsideration is addressed.

10. On April 17, 2015, the Commission issued Order No. 32780 granting WHWC's Motion for Reconsideration and approving an increase of \$135,342, or approximately 6.3% over revenues at present rates, based on a total Test Year revenue requirement of \$2,297,154.

A copy of the Commission's Decision and Order Nos. 30873, 32685, and 32780 are enclosed for your information.

As discussed above, the six-month deadline for the Commission to issue its Proposed Decision and Order was February 28, 2013, pursuant to HRS § 269-16(f)(3). However, pursuant to WHWC's stipulation to extend the six-month deadline for the Commission to issue a Proposed Decision and Order and Decision and Order No. 30873, that deadline was changed from February 28, 2013, to a date to be determined by the Commission. Further, on six different occasions, the Commission approved requests by WHWC to amend and extend certain procedural deadlines.<sup>1</sup>

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<sup>1</sup>See (1) Order No. 30916, Approving West Hawaii Water Company's Request to Modify Stipulated Regulatory Schedule, filed on December 20, 2012; (2) Order No. 30956, Approving West Hawaii Water Company's Second Request to Modify Stipulated Regulatory Schedule, filed on January 24, 2013; (3) Order No. 31131, Approving West Hawaii Water Company's Third Request to Modify Stipulated Regulatory Schedule, filed on March 27, 2013; (4) Order No. 31182, Approving West Hawaii Water Company's Fourth Request to Modify Stipulated Regulatory Schedule, filed on April 17, 2013; (5) Order No. 31292, Approving West Hawaii Water Company's Fifth Request to Modify Stipulated Regulatory Schedule, filed on June 6, 2013; and (6) Order No. 31372, Approving West Hawaii Water Company's Sixth Request to Modify Stipulated Regulatory Schedule, filed on July 26, 2013.

Parties  
June 25, 2015  
Page 4

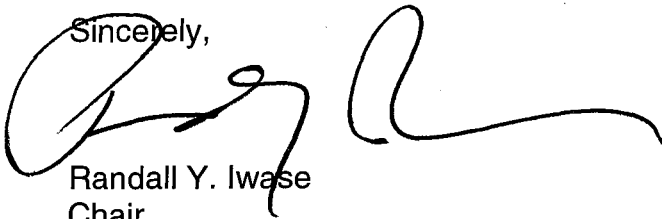
As a result, WHWC, in effect: (1) did not strictly comply with the procedural schedule established by the commission; and (2) waived the Commission's issuance of its Proposed Decision and Order by February 28, 2013.

Based on the Parties' actions, including WHWC's stipulation to extend the deadline, the Commission was unable to issue its Decision and Order by February 28, 2013, i.e., within the six-month period set forth in HRS § 269-16(f)(3).

I recognize that this letter should have been sent on or before May 17, 2015. As I am sure you are aware, the Commission is currently facing a number of major issues that have taken up a great deal of our time. However, I apologize for the delay.

Thank you for the opportunity to submit this report. Should you have any questions regarding this matter, please contact Shannon Mears, the Commission legal counsel responsible for this Docket, at 586-2019.

Sincerely,

A handwritten signature in black ink, appearing to read 'Randall Y. Iwase', with a long horizontal flourish extending to the right.

Randall Y. Iwase  
Chair

RYI:ljc

Enclosures

c: J. Douglas Ing, Esq./Pamela J. Larson, Esq./David Y. Nakashima, Esq.  
(w/o enclosures)  
Jeffrey T. Ono, Division of Consumer Advocacy  
(w/o enclosures)

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

In the Matter of the Application of)

WAIKOLOA WATER CO., INC. dba )  
WEST HAWAII WATER COMPANY )

DOCKET NO. 2012-0148

For a General Rate Increase and for)  
Approval of Revisions to its )  
Tariff. )  
\_\_\_\_\_)

ORDER NO. 30873

APPROVING PARTIES' STIPULATED  
PROCEDURAL ORDER, WITH A MODIFICATION

PUBLIC UTILITIES  
COMMISSION

2012 DEC -5 A 11:57

FILED

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

In the Matter of the Application of)

WAIKOLOA WATER CO., INC. dba )

WEST HAWAII WATER COMPANY )

For a General Rate Increase and for)  
Approval of Revisions to its )  
Tariff. )

Docket No. 2012-0148

Order No. **30873**

APPROVING PARTIES' STIPULATED  
PROCEDURAL ORDER, WITH A MODIFICATION

By this Order, the commission approves, with a modification, the Stipulated Procedural Order filed on November 5, 2012, by WAIKOLOA WATER CO., INC. dba WEST HAWAII WATER COMPANY ("WHWC") and the DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS, DIVISION OF CONSUMER ADVOCACY ("Consumer Advocate"),<sup>1</sup> which is attached hereto as Exhibit 1.

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<sup>1</sup>The "Parties" to this proceeding are WHWC and the Consumer Advocate, an ex officio party to this docket pursuant to Hawaii Revised Statutes ("HRS") § 269-51 and Hawaii Administrative Rules § 6-61-62. No persons moved to intervene or participate without intervention in this docket.

I.

Background

WHWC is a Hawaii corporation and a public utility as defined by HRS § 269-1 and, thus, is regulated by the commission under Chapter 269, HRS. WHWC provides potable water service, including private fire service to residences, condominiums, and commercial establishments in the greater Waikoloa Village area community, on the island of Hawaii.

On August 28, 2012, WHWC filed an application ("Application") for commission approval of its proposed increase in rates for the split July 1, 2012, through June 30, 2013 test year, and approval of its proposed tariff changes.

On September 26, 2012, the commission issued Order No. 30648 Order Regarding Completed Application and Other Initial Matters ("Order No. 30648"), instructing the Parties, among other things, to submit a stipulated procedural order for the commission's review and approval within seven days after the end of the intervention period (i.e., by November 5, 2012). If unable to stipulate, the Parties were instructed to submit respective proposed procedural orders for the commission's consideration. In addition, the commission instructed the Parties that their stipulated procedural order shall provide that the last pleading in the proceeding be filed by January 14, 2013,

in order for the commission to reasonably meet the six-month target date of February 28, 2013 ("Pleadings Deadline").

On November 5, 2012, the Parties submitted their Stipulated Procedural Order ("SPO") for the commission's review and approval.

## II.

### Discussion

Upon review of the Parties' SPO, the commission finds that a modification is needed to Section II "Schedule of Proceedings" of the SPO, specifically with respect to the attached Exhibit A, the Stipulated Regulatory Schedule. The schedule agreed upon by the Parties list procedural steps, including the filing of the Consumer Advocate's responses to WHWC's information requests, the Parties' Settlement Letter, and WHWC's Rebuttal Testimonies (if no settlement) after the January 14, 2013 Pleadings Deadline set forth in Order No. 30648.<sup>2</sup> In the SPO, WHWC: (1) recognizes that under HRS § 269-16(f) the commission is required to issue a proposed decision and order within six months of the filing of WHWC's Application (specifically, by February 28, 2013); and (2) notes that by agreeing to the Parties' Stipulated Regulatory Schedule, it is willing to extend the six-month deadline by period of one month

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<sup>2</sup>See Order No. 30648 at 13.



(i.e., March 28, 2013).<sup>3</sup> However, given WHWC's voluntary extension of the timeframe for the commission to issue a proposed decision and order in this docket, by agreeing to the Stipulated Regulatory Schedule, the commission finds it appropriate to amend the Parties' Stipulated Regulatory Schedule as set forth below:

	<b>Dates</b>	<b>Procedural Steps</b>
1.	Tuesday August 28, 2012	Application Filed
2.	Wednesday September 26, 2012	Application Deemed to be Complete
3.	Wednesday October 17, 2012	Public Hearing
4.	Through Friday November 23, 2012	Consumer Advocate Submission of Information Requests ("IRs") to WHWC
5.	Friday December 14, 2012 (last day for responses)	WHWC's Responses to Consumer Advocate's IRs
6.	Monday January 7, 2013	Consumer Advocate's Direct Testimonies and Exhibits
7.	Monday January 14, 2013	WHWC Submission of IRs to Consumer Advocate
8.	Friday January 18, 2013	Consumer Advocate's Responses to WHWC's IRs
9.	Friday February 1, 2013	Settlement Letter
10.	Thursday February 14, 2013	WHWC's Rebuttal Testimonies (if no settlement)

<sup>3</sup>See SPO, Exhibit A at 2 n.5.

11.	To be determined by the Commission <sup>4</sup>	Proposed Decision and Order
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In all other respects, the Parties' SOP is unchanged.

Based on the foregoing, the commission concludes that the Parties' SPO, filed on November 5, 2012, should be approved with the modification set forth above.

### III.

#### Order

THE COMMISSION ORDERS that the Parties' Stipulated Procedural Order submitted on November 5, 2012, attached as Exhibit 1 to this Order, is approved with the modification discussed in Section II of this Order.

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<sup>4</sup>The commission's decision with respect to this matter is consistent with the commission's decision in Docket No. 2011-0148. See In re Hawaii Water Service Company, Inc., Order No. 30688 Granting Hawaii Water Service Company, Inc.'s Tenth Extension Request, Filed on September 27, 2012, filed on October 12, 2012, in Docket No. 2011-0148.

DONE at Honolulu, Hawaii DEC - 5 2012.

PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

By *Hermine Morita*  
Hermine Morita, Chair

By *Michael E. Champley*  
Michael E. Champley, Commissioner

By *Lorraine H. Akiba*  
Lorraine H. Akiba, Commissioner

APPROVED AS TO FORM:

*Ji Sook Kim*  
Ji Sook Kim  
Commission Counsel

2012-0148.do

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

In the Matter of the Application of )  
)  
)

WAIKOLOA WATER CO., INC. dba WEST )  
HAWAII WATER COMPANY )  
)

Docket No. 2012-0148 )  
)  
)

For A General Rate Increase and for Approval )  
of Revisions to its Tariff )  
)  

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**FILED**  
2012 NOV -5 1 P 3:59  
PUBLIC UTILITIES  
COMMISSION

**STIPULATED PROCEDURAL ORDER**

**EXHIBIT A**

and

**CERTIFICATE OF SERVICE**

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

In the Matter of the Application of )  
)  
)

WAIKOLOA WATER CO., INC. dba WEST )  
HAWAII WATER COMPANY )  
)

Docket No. 2012-0148  
)  
)  
)

For A General Rate Increase and for Approval )  
of Revisions to its Tariff )  
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STIPULATED PROCEDURAL ORDER

EXHIBIT A

And

CERTIFICATE OF SERVICE

J. DOUGLAS ING, ESQ.  
PAMELA J. LARSON ESQ.  
WRAY H. KONDO, ESQ.  
DAVID Y. NAKASHIMA, ESQ.  
Watanabe Ing LLP  
999 Bishop Street, 23<sup>rd</sup> Floor  
Honolulu, Hawaii 96813  
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Attorneys for  
WAIKOLOA WATER CO., INC. dba WEST  
HAWAII WATER COMPANY

JON S. ITOMURA, ESQ.  
LANE H. TSUCHIYAMA, ESQ.  
335 Merchant Street  
Room 326  
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Telephone: (808) 586-2800

Attorneys for  
DIVISION OF CONSUMER ADVOCACY,  
DEPARTMENT OF COMMERCE AND  
CONSUMER AFFAIRS

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

In the Matter of the Application of )  
)  
)

WAIKOLOA WATER CO., INC. dba WEST )  
HAWAII WATER COMPANY )  
)

Docket No. 2012-0148

For A General Rate Increase and for Approval )  
of Revisions to its Tariff )  
)  

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**STIPULATED PROCEDURAL ORDER**

WAIKOLOA WATER CO., INC. dba WEST HAWAII WATER COMPANY

("Applicant" or "WHWC"),<sup>1</sup> and the DIVISION OF CONSUMER ADVOCACY OF THE  
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS (the "Consumer Advocate"),  
by and through their respective attorneys, do hereby stipulate to the following provisions of this  
Stipulated Procedural Order (the "Stipulated Procedural Order") as mutually acceptable to each.

ACCORDINGLY, IT IS ORDERED that the following Statement of the Issues, Schedule  
of Proceedings, and procedures shall be utilized in this docket:

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<sup>1</sup> Throughout this Stipulated Procedural Order, including, without limitation, Exhibit  
"A" attached hereto, Applicant and the Consumer Advocate may be referred to collectively as  
"Parties" and individually as "Party" as the context warrants.

## **I. STATEMENT OF THE ISSUES**

The issues in this case are:

1. Are WHWC's proposed rate increases reasonable?
  - a. Are the proposed tariffs, rates and charges just and reasonable?
  - b. Are the revenue forecasts for the July 1, 2012 through June 30, 2013 test year (the "Test Year") at present rates and proposed rates reasonable?
  - c. Are the projected operating expenses for the Test Year reasonable?
  - d. Is the projected rate base for the Test Year reasonable, and are the properties included in the rate base used or useful for public utility purposes?
  - e. Is the rate of return requested fair?
2. Should the Commission approve WHWC's request to modify the terms of its Power Cost Adjustment to reflect the cost of power currently in effect?
3. Should the Commissioner approve WHWC's other proposed changes to its tariff?

## **II. SCHEDULE OF PROCEEDINGS**

The Parties shall adhere to the schedule of proceedings set forth in the Stipulated Regulatory Schedule attached hereto as Exhibit "A." Notwithstanding the above, the Parties may amend the Stipulated Regulatory Schedule as may be agreed in writing from time to time; provided that the requesting Party(ies) receive the Commission's approval in accordance with Hawaii Administrative Rules ("HAR") § 6-61-23, to the extent applicable. However, the intent of the Parties in agreeing to a schedule at this time is to promote the efficient and cost-effective allocation of resources. Therefore, any changes to the schedule should be proposed only when

there is an urgency or substantial competing need that cannot be reasonably accommodated without a change.

### **III. REQUESTS FOR INFORMATION / CONFIDENTIAL INFORMATION**

Information requests may be submitted by the Consumer Advocate to Applicant within the period set forth in Exhibit "A" attached hereto, unless otherwise agreed to by Applicant. After the scheduled date for submitting information requests has passed, no additional information requests shall be allowed except upon stipulation by the Parties.

If a party is unable to provide the information requested within the prescribed time period, it should so indicate to the inquiring party as soon as possible. The Parties shall then endeavor to agree upon a later date for submission of the requested information. If the Parties are unable to agree, the responding party may seek approval for the late submission of responses from the Commission upon a showing of good cause. It is then within the Commission's discretion to allow such filings.

Notwithstanding anything herein to the contrary, including Part V, *infra*, in lieu of responses to information requests that would require the reproduction of voluminous documents or materials (documents over 100 pages), the documents or materials may be made available for reasonable inspection and copying at a mutually agreeable designated location and time. In the event such information is available on computer diskette or other readily usable electronic medium, the Party responding to the information request shall make the diskette or such electronic medium available to the other Parties and the Commission. A Party shall not be required, in a response to an information request, to provide data that is already on file with the Commission or otherwise part of the public record, or that may be stipulated to pursuant to Part IV, *infra*. The responding Party shall, in lieu of production of a document in the public record,



include in its response to the information request an identification of the document with reasonable specificity sufficient to enable the requesting Party to locate and copy the document. In addition, a Party shall not be required, in a response to an information request, to make computations, compute ratios, reclassify, trend, calculate, or otherwise rework data contained in its files or records.

A Party may object to responding to an information request that it deems to be irrelevant, immaterial, unduly burdensome, onerous or repetitious, or where the response contains information claimed to be privileged or subject to protection (confidential information). If a Party claims that information requested is confidential, and withholds production of all or a portion of such confidential information, the Party shall: (1) provide information reasonably sufficient to identify the confidential information withheld from the response, without disclosing privileged or protected information; (2) state the basis for withholding the confidential information (including, but not limited to, the specific privilege applicable or protection claimed for the confidential information and the specific harm that would befall the Party if the information were disclosed); and (3) state whether the Party is willing to provide the confidential information pursuant to the protective order governing this docket.

A Party seeking production of documents notwithstanding a Party's claim of confidentiality, may file a motion to compel production with the Commission.

The responses of each Party to information requests shall adhere to a uniform system of numbering agreed upon by the Parties. For example, the first information request submitted by the Consumer Advocate in this docket shall be referred to and designated as "CA-IR-1," and a response to this information request shall be referred to and designated as "Response to CA-IR-1."

Each response shall be provided on a separate page and shall recite the entire question asked and set forth the response and/or reference the attached responsive document, indicating the name of the respondent for each response.

#### **IV. MATTERS OF PUBLIC RECORD**

In order to provide a means to reduce unnecessary reproduction of documents and to facilitate these proceedings, identified matters of public record, such as reports that Applicant has filed with the Commission, published scientific or economic statistical data, material and textbooks, technical or industry journals relating to utility matters, and specified parts of the record in previous Commission dockets shall be admissible in this proceeding without the necessity of reproducing each document; provided that the document to be admitted is clearly identified by reference to the place of publication, file or docket number, and the identified document is available for inspection by the Commission and the Parties; and further provided that any Party has the right to explain, qualify or conduct examination with respect to the identified document.

#### **V. COPIES OF FILINGS AND INFORMATION REQUESTS**

1. Filings: Copies of all filings with the Commission shall be provided to the following Parties, unless the stipulated procedural order, procedural order, and/or protective order issued in connection with this docket states otherwise:

Public Utilities Commission  
465 South King Street  
First Floor  
Honolulu, Hawaii 96813

Original plus 8 copies

Division of Consumer Advocacy 3 copies  
335 Merchant Street  
Room 326  
Honolulu, Hawaii 96813  
Facsimile Number: (808) 586-2780

J. DOUGLAS ING, ESQ. 1 copy  
PAMELA J. LARSON ESQ.  
WRAY H. KONDO, ESQ.  
DAVID Y. NAKASHIMA, ESQ.  
Watanabe Ing LLP  
999 Bishop Street, 23<sup>rd</sup> Floor  
Honolulu, Hawaii 96813  
Facsimile Number: (808) 544-8399

2. Information Requests and Responses: Copies of all information requests and information request responses shall be provided to the following Parties, unless the stipulated procedural order, procedural order and/or protective order issued in connection with this docket states otherwise:

Public Utilities Commission Original plus 8 copies  
465 South King Street  
First Floor  
Honolulu, Hawaii 96813

Division of Consumer Advocacy 3 copies  
335 Merchant Street  
Room 326  
Honolulu, Hawaii 96813  
Facsimile Number: (808) 586-2780

J. DOUGLAS ING, ESQ. 1 copy  
PAMELA J. LARSON ESQ.  
WRAY H. KONDO, ESQ.  
DAVID Y. NAKASHIMA, ESQ.  
Watanabe Ing LLP  
999 Bishop Street, 23<sup>rd</sup> Floor  
Honolulu, Hawaii 96813  
Facsimile Number: (808) 544-8399

All pleadings, briefs and other documents required to be filed with the Commission shall be filed at the office of the Commission in Honolulu within the time limit prescribed pursuant to

HAR § 6-61-15. Copies of all filings, information requests and information request responses should be sent to the Parties by hand delivery or via U.S. mail. In addition, if available, all Parties shall provide copies of their filings, information requests and information request responses to the other Parties' designated counsel or representative on the due date of the filing via diskette, compact disc or e-mail in a standard electronic format that is readily available by the Parties. The Parties agree to use Word 97, Word 2000, Word 2003 or Excel 2003 as the standard programming format for filings in this case. However, if work papers, documentation, or exhibits attached to any filing are not readily available in an electronic format, a Party shall not be required to convert such work papers, documentation, or exhibits into an electronic format. Also, existing documents produced in response to requests need not be converted to Word 97/Word 2000/Word 2003/Excel 2003 as long as the applicable format is identified. In the event a copy of a filing, information request or information request response is delivered to a Party via diskette, compact disc or e-mail, unless otherwise agreed to by such Party, the same number of copies of such filing, information request or information request response must still be delivered to such Party by hand delivery or via facsimile as provided above.

## **VI. COMMUNICATIONS**

HAR § 6-61-29 concerning ex parte communications is applicable to any communications between a Party and the Commission. However, the Parties may communicate with Commission counsel through their own counsel or designated official only as to matters of process and procedure.

Communications between the Parties should either be through counsel or through designated representatives. All pleadings, papers, and other documents filed in this proceeding shall be served on the opposing Party as provided in Part V above.

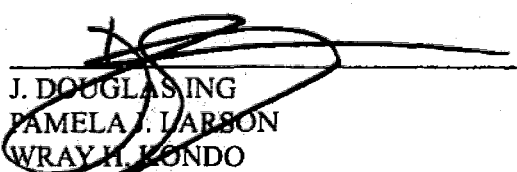
All motions, supporting memoranda, briefs, and the like shall also be served on opposing counsel.

**VII. GENERAL**

The foregoing procedures shall be applied in a manner consistent with the orderly conduct of this docket.

This Stipulated Procedural Order shall control the subsequent course of these proceedings, unless modified by the Parties in writing and approved by the Commission, or upon the Commission's own motion. This Stipulated Procedural Order may be executed by the Parties in counterparts, each of which shall be deemed an original, and all of which taken together shall constitute one and the same instrument. The Parties may execute this Stipulated Procedural Order by facsimile or electronic mail for initial submission to the Commission to be followed by the filing of originals of said facsimile or electronic mail pages.

DATED: Honolulu, Hawaii, Nov. 5, 2012.



J. DOUGLAS ING  
PAMELA J. LARSON  
WRAY H. KONDO  
DAVID Y. NAKASHIMA

Attorneys for  
WAIKOLOA WATER CO., INC. dba WEST  
HAWAII WATER COMPANY



JON S. ITOMURA  
LANE H. TSUCHIYAMA

Attorneys for  
DIVISION OF CONSUMER ADVOCACY,  
DEPARTMENT OF COMMERCE AND  
CONSUMER AFFAIRS

APPROVED AND SO ORDERED THIS \_\_\_\_\_,

at Honolulu, Hawaii.

PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

By \_\_\_\_\_  
Hermine Morita, Chair

By \_\_\_\_\_  
Michael E. Champley, Commissioner

By \_\_\_\_\_  
Lorraine H. Akiba, Commissioner

APPROVED AS TO FORM:

\_\_\_\_\_  
Ji Sook Kim  
Commission Counsel

10.	Thursday, February 14, 2013	WHWC Rebuttal Testimonies (if no settlement) <sup>5</sup>
11.	March 28, 2013	Proposed Decision and Order <sup>6</sup>

<sup>5</sup> Pursuant to the Order Regarding Completed Application and Other Initial Matters, filed on September 26, 2012, the Commission determined, among other things, that the date of the completed Application, filed on August 28, 2012, is August 28, 2012. As such, under HRS §269-16(f), WHWC is entitled to a final decision on its Application no later than February 28, 2012 (a.k.a. six-month final decision and order). By stipulating to the regulatory schedule, WHWC is willing to extend the six-month deadline for the final decision and order for a period of one month.

<sup>6</sup> Following the issuance of the proposed decision and order, the Parties, as instructed by the Commission, will notify the Commission whether they object or do not accept all or any part of the proposed decision and order in accordance with HRS § 269-16(f)(3). If any portion of the proposed decision and order is objected to or not accepted by either WHWC or the Consumer Advocate, an extended Stipulated Regulatory Schedule (which may or may not include a contested case hearing) will then be filed with the Commission by WHWC and the Consumer Advocate either individually or together for Commission review and approval to assist the Commission to complete its deliberations in accordance with HRS § 269-16(f)(3).

**CERTIFICATE OF SERVICE**

The foregoing Stipulated Procedural Order was served on the date of filing by hand delivery, or mail, postage prepaid and properly addressed, to each such Party:

JEFFREY T. ONO  
EXECUTIVE DIRECTOR  
DEPT. OF COMMERCE & CONSUMER AFFAIRS  
DIVISION OF CONSUMER ADVOCACY  
P.O. Box 541  
Honolulu, Hawaii 96809

Attorneys for the DIVISION OF CONSUMER ADVOCACY,  
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS

J. DOUGLAS ING, ESQ.  
PAMELA J. LARSON ESQ.  
WRAY H. KONDO, ESQ.  
DAVID Y. NAKASHIMA, ESQ.  
Watanabe Ing LLP  
999 Bishop Street, 23<sup>rd</sup> Floor  
Honolulu, Hawaii 96813

Attorneys for WAIKOLOA WATER CO., INC. dba  
WEST HAWAII WATER COMPANY

Dated: Honolulu, Hawaii, \_\_\_\_\_, 2012.



CERTIFICATE OF SERVICE

The foregoing order was served on the date of filing by mail, postage prepaid, and properly addressed to the following parties:

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WEST HAWAII WATER COMPANY

**EXHIBIT "A"**

Stipulated Regulatory Schedule  
Docket No. 2012-0148

	Date	Procedural Steps
1.	August 28, 2012	Application filed
2.	September 26, 2012	Application deemed to be complete
3.	Wednesday, October 17, 2012	Public Hearing
4.	Through Friday, November 23, 2012	Consumer Advocate Submission of Information Requests (IRs) to WHWC <sup>2</sup>
5.	Friday, December 14, 2012 last day for responses	WHWC Response to Consumer Advocate IRs <sup>3</sup>
6.	Monday, January 7, 2013	Consumer Advocate's Direct Testimonies and Exhibits
7.	Monday, January 14, 2013	WHWC Submission of IRs to Consumer Advocate
8.	Friday, January 18, 2013	Consumer Advocate Response to WHWC IRs
9.	Friday, February 1, 2013	Settlement Letter <sup>4</sup>

<sup>2</sup> During the period until November 23, 2012, the Consumer Advocate has the right to issue IRs on WHWC at any time. WHWC agrees to use its best effort to provide a response to these IRs to the Consumer Advocate within 14 days from the date the particular information request(s) were submitted to WHWC, but in no event later than 21 days after submission. The IRs and responses will only be shared between WHWC and the Consumer Advocate initially. However, in periodic intervals, but in no event later than the date the Consumer Advocate files its Direct Testimony and Exhibits with the Commission, WHWC and the Consumer Advocate will compile and file with the Commission all IRs and responses provided during the time period.

<sup>3</sup> Id.

<sup>4</sup> The parties reserve the right, collectively or individually, to engage in settlement discussions at any time on any and/or all disputed issues that may exist between any of the parties' respective positions in the subject docket. In the event a settlement is reached by all or any of the parties, the respective parties will notify the Commission and any other parties accordingly and request such changes to the remaining procedural steps as may be applicable or prudent under the circumstances.

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF HAWAII

In the Matter of the Application of )

WAIKOLOA WATER CO., INC. dba WEST )  
HAWAII WATER COMPANY )

DOCKET NO. 2012-0148

For a General Rate Increase and for )  
Approval of Revisions to its Tariff )

DECISION AND ORDER NO. 32685

PUBLIC UTILITIES  
COMMISSION

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FILED

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#### EXHIBIT A

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF HAWAII

In the Matter of the Application of )

WAIKOLOA WATER CO., INC. dba WEST )  
HAWAII WATER COMPANY )

Docket No. 2012-0148

For a General Rate Increase and for )  
Approval of Revisions to its Tariff )

Decision and Order No. **32685**

DECISION AND ORDER

By this Decision and Order, the commission approves an increase of \$103,178, or approximately 4.77%, over revenues at present rates for WAIKOLOA WATER CO., INC. dba WEST HAWAII WATER COMPANY ("WHWC"), based on a total revenue requirement of \$2,264,991 for the July 1, 2012 to June 30, 2013 test year.<sup>1</sup>

In so doing, the commission, in response to WHWC's Application filed on August 28, 2012,<sup>2</sup> approves in part the

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<sup>1</sup>The Parties are WHWC and the DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS, DIVISION OF CONSUMER ADVOCACY ("Consumer Advocate"), an ex officio party pursuant to Hawaii Revised Statutes ("HRS") § 269-51 and Hawaii Administrative Rules ("HAR") § 6-61-62. No other persons moved to intervene or participate without intervention in this docket.

<sup>2</sup>WHWC's Application, Exhibits WHWC 1 through 11, Exhibit WHWC-T-100 through WHWC-T-302, Verification, and Certificate of Service, filed on August 28, 2012; as supplemented by amended Certificate of Service, filed on August 30, 2012 (collectively, the "Application"). See also "Order Granting West Hawaii Water Company's Motion to Waive the

Parties' Stipulation for Full Settlement filed on August 14, 2013 ("Settlement Agreement").

The commission, in approving the Settlement Agreement in part:

1. Disallows the stipulated expense for a cost-of-service study that has not been undertaken, completed, or used for the subject proceeding;
2. Sets a deadline date for the Consumer Advocate to state its objection, if any, to the Power Cost Charge; and
3. Instructs the Parties to re-calculate and re-file WHWC's rates and charges consistent with this Decision and Order, with a clear and accurate step-by-step explanation of the methodology used in calculating the agreed-upon rates and charges.

The commission issues this Decision and Order in accordance with HRS § 269-16(d).

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Requirement to Utilize the 2013 Calendar Test Year," filed on July 16, 2012 (authorizing WHWC to utilize the 2012-2013 mid-year test year in place of a 2013 calendar test year); and "Order Regarding Completed Application and Other Initial Matters," filed on September 26, 2012.

I.

Background

A.

Waikoloa Service Area

The Waikoloa community in the South Kohala area on the island of Hawaii includes two utility service areas: (1) Waikoloa Village and (2) Waikoloa Beach Resort. Within Waikoloa Village, WHWC provides potable water service, including private fire service, to residences,<sup>3</sup> condominiums, and commercial establishments, and WHSC, an affiliate of WHWC, provides wastewater utility service.<sup>4</sup> West Hawaii Utility Company ("WHUC"), another affiliate of WHWC, provides water, wastewater, and irrigation utility services to the Waikoloa Beach Resort area.<sup>5</sup>

B.

WHWC

1.

Corporate Structure

WHWC is wholly owned by Hawaii Water Service Company, Inc. ("HWSC"), a public utility that owns various water and

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<sup>3</sup>The "private fire service" appears to be for fire hydrants.

<sup>4</sup>See Application at 3.

<sup>5</sup>See Application at 3.



wastewater operations within the State, including WHSC and WHUC.<sup>6</sup> In turn, HWSC is a wholly owned subsidiary of California Water Service Group, a holding company incorporated in Delaware. Besides HWSC, California Water Service Group's operating subsidiaries in the continental United States include California Water Service Company (water service), New Mexico Water Service Company (water and wastewater services), and Washington Water Service Company (water and wastewater services).

2.

Potable Water System

Pursuant to a Water Sharing Agreement, WHWC and WHUC jointly own, operate, and maintain a potable water system that serves the entire Waikoloa area and that includes potable water

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<sup>6</sup>See In re Waikoloa Water Co., Inc., Waikoloa Sanitary Sewer Co., Inc., Waikoloa Resort Util., Inc., and Hawaii Water Serv. Co., Inc., Docket No. 2008-0018, Decision and Order, filed on August 20, 2008 (approving the sale of all the outstanding and issued stock of WHWC, WHSC, and WHUC to HWSC, and related matters, subject to certain conditions); Order Granting Division of Consumer Advocacy's Motion for Clarification and/or Modification of the Commission's Decision and Order Issued on August 20, 2008 in the above Docketed Matter, filed on September 24, 2008; and Order (1) Granting Applicants' Motion for Clarification and/or Modification of the Commission's Order Granting Division of Consumer Advocacy's Motion for Clarification and/or Modification of the Commission's Decision and Order Issued on August 20, 2008, filed on October 6, 2008, and (2) Approving Revised Tariff Sheets Filed February 9, 2009, filed on March 12, 2009.

wells, storage tanks, and transmission and distribution lines.<sup>7</sup> WHWC reports that, on average, it distributed "approximately 1.8 million gallons of water per day to its customers" during the calendar year ending December 31, 2011.<sup>8</sup>

WHWC and WHUC deliver water to their respective service areas from six (6) deep wells, DW-1 to DW-6, located at the 1200' elevation, east of Waikoloa Village.<sup>9</sup> A seventh well, DW-7, for which drilling and testing have been completed, "will be outfitted and brought on line by the end of 2012."<sup>10</sup> In addition, an eighth well, DW-8, is currently under development and scheduled for completion by 2013.<sup>11</sup> The two additional wells will be owned by both WHWC and WHUC.<sup>12</sup>

The operation of the wells is monitored and controlled by a telemetering system that alerts utility personnel when outages occur, and that allows WHWC and WHUC to maintain peak avoidance

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<sup>7</sup>See Application at 3.

<sup>8</sup>Application at 3.

<sup>9</sup>See Application, Exhibit WHWC 1 (Description of Property and Equipment), at 2.

<sup>10</sup>Application, Exhibit WHWC 1, at 2.

<sup>11</sup>Application, Exhibit WHWC 1, at 2.

<sup>12</sup>Application, Exhibit WHWC 1, at 2.

contracts with Hawaii Electric Light Company. These contracts minimize the total electric costs to operate the wells.<sup>13</sup>

The joint potable water system also includes: (A) seven (7) storage tanks, five (5) of which have a capacity of one million gallons and two (2) of which have a capacity of 2.5 million gallons, that are connected to the centralized telemetering system to facilitate monitoring of tank levels; (B) a flow control tank; and (C) approximately 11.8 miles of transmission lines that deliver water from the wells to the respective service areas.<sup>14</sup> Within Waikoloa Village, WHWC operates approximately sixteen (16) miles of distribution lines.<sup>15</sup>

3.

Non-Potable Irrigation System

Since 1970, WHWC has delivered non-potable brackish ground water from a well located to the west of Waikoloa Village to the main irrigation lake of the Waikoloa Village Association golf course.<sup>16</sup> The Waikoloa Village Association and golf course operator is responsible for: (1) pressurizing the irrigation

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<sup>13</sup>Application, Exhibit WHWC 1, at 2-3.

<sup>14</sup>Application, Exhibit WHWC 1, at 3-4.

<sup>15</sup>Application, Exhibit WHWC 1, at 4.

<sup>16</sup>See Application, Exhibit WHWC 1, at 4

system; (2) operating and maintaining the irrigation water well; and (3) operation and maintenance costs of the irrigation system.<sup>17</sup> In addition, Waikoloa Village Association pays a royalty fee to WHWC for the irrigation water.<sup>18</sup>

C.

Global Settlement Agreement

On October 22, 2009, WHWC, the Consumer Advocate, and WHWC's affiliates, WHSC and WHUC, entered into a Global Settlement Agreement ("Global Agreement") to resolve their differences with respect to the ratemaking treatment of Contributions In Aid of Construction ("CIACs") by WHWC, WHSC, and WHUC.<sup>19</sup> The terms of the Global Agreement are reflected in this rate case as part of the Settlement Agreement relating to various CIAC issues, including the ratemaking treatment of deferred CIACs, "Excess CIAC", and revisions to WHWC's CIAC tariffs.

The differences with respect to the ratemaking treatment of CIACs arose out of commission Decision and Orders on two rate

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<sup>17</sup>See Application, Exhibit WHWC 1, at 5.

<sup>18</sup>See Application, Exhibit WHWC 1, at 5.

<sup>19</sup>A copy of the Global Agreement is attached as Exhibit WHWC-T-301 to the Application.

cases filed with the commission by WHSC that were appealed to the Hawaii Supreme Court.<sup>20</sup> The Hawaii Supreme Court reversed the commission decisions and remanded the cases back to the commission for an appropriate disposition.

The subsequent commission orders were also appealed by WHSC to the Hawaii Intermediate Court of Appeals ("ICA"), where they were ultimately combined into a consolidated appeal.<sup>21</sup> The parties in the consolidated appeal were limited to appellant WHSC, and the Consumer Advocate and the commission, as co-appellees. WHWC and WHUC were not parties to the consolidated appeal. Nonetheless, in an effort to settle the consolidated appeal to the ICA, WHWC, WHSC, WHUC, and the Consumer Advocate entered into the Global Agreement.

The Global Agreement was not subject to the commission's review or approval. Instead, the Global Agreement memorializes an agreement between WHWC, WHSC, WHUC, and the Consumer Advocate,

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<sup>20</sup>See In re Waikoloa Sanitary Sewer Co., Inc., Docket No. 00-0440; In re Waikoloa Sanitary Sewer Co., Inc., Docket No. 05-0329; and In re Waikoloa Sanitary Sewer Co., Inc., 109 Hawaii 263, 125 P.3d 484 (2005), as corrected on February 2, 2006. For a thorough overview of the differences regarding CIAC treatment, see also In re Waikoloa Resort Utilities, Inc., dba West Hawaii Utility Company, Docket No. 2011-0331, "Decision and Order No. 32107," at 8-12.

<sup>21</sup>See In re Waikoloa Sanitary Sewer Co., Inc., ICA Appeal Nos. 29534 and 29607 (combined as Consolidated Appeal No. 29534 on April 27, 2009).

that is subject to enforcement, amendment, or rescission between them. Moreover, the commission was not a party to the Global Agreement, and therefore, is not bound by its terms.

As a result of the Global Agreement, the ICA approved WHSC and the Consumer Advocate's stipulation to dismiss Consolidated Appeal No. 29534 with prejudice.<sup>22</sup>

The Global Agreement and the stipulation to dismiss Consolidated Appeal No. 29534 are separate documents. The Global Agreement is also distinct from the "Settlement Agreement" which resolves the differences between WHWC and the Consumer Advocate relating to the specific issues and facts in this docket. The Settlement Agreement is discussed in greater detail below.

D.

Application

On July 16, 2012, the commission granted WHWC's motion to waive the requirement to utilize the 2013 calendar test year. As a result, the commission authorized WHWC to utilize the

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<sup>22</sup>ICA Consolidated Appeal No. 29534.

July 1, 2012 to June 30, 2013 test year (the "Test Year") in its then forthcoming application for a general rate case.<sup>23</sup>

On August 28, 2012, WHWC filed its Application requesting that the commission approve a \$784,387 increase in WHWC's revenues, i.e., approximately 36.0% over revenues at present rates for WHWC's water utility service, based on a total Test Year pro forma revenue requirement of \$2,179,146.<sup>24</sup> If approved, WHWC would receive an 8.05% rate of return on its prudently incurred system improvements.<sup>25</sup>

WHWC specifically proposes to increase its water service charges (the monthly charge based on the meter size), private fire service charges (the monthly charge based on meter size), and water quantity charge (the water usage charge that is assessed per 1,000 gallons ("TG") of water), by a total increase of approximately 36% for each applicable charge.<sup>26</sup> The increase is approximately 119% if it includes revenue that is presently recovered under the Automatic Power Cost Adjustment Charge ("APCAC").<sup>27</sup> WHWC seeks to

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<sup>23</sup>Order No. 30527, "Granting West Hawaii Water Company's Motion to Waive the Requirement to Utilize the 2013 Calendar Test Year," filed on June 8, 2012, in this Docket.

<sup>24</sup>See Application at 5.

<sup>25</sup>Application at 5.

<sup>26</sup>Application at 7.

<sup>27</sup>See Application at 7.

include those revenues in its rates and reset the APCAC to reflect current electrical costs.

WHWC, as part of its Application, also proposes certain changes to its tariff rules, including: (1) revising the terms of its existing Power Cost Adjustment Charge ("PCAC") to reflect the cost of power that is currently in effect; (2) requiring a developer to record against the property to be served a Declaration of Covenants, Conditions and Restrictions containing water conservation and usage provisions; and (3) revising certain provisions relating to CIAC and System Extensions that standardize those provisions across all of HWSC's operating divisions and that address various recommendations made by the commission and the Consumer Advocate in In re Waikoloa Water Company, Inc., dba West Hawaii Water Company for Approval of Amended Contribution in Aid of Construction Fee, Docket No. 05-0288.

In support of its request for rate relief, WHWC contends that: (1) its current rates do not, and will not in the foreseeable future, produce sufficient revenues to allow it to earn a fair rate of return on its prudently incurred investments; (2) it has made significant capital improvements and plans to make additional capital improvements in the test year; and (3) its Application is designed to allow it to earn a fair rate of return on its utility assets.



With respect to its capital investments, WHWC asserts that: (1) Drinking Water Well No. 6 ("DW-6") has been completed and placed into service; (2) Drinking Water Well No. 7 ("DW-7") has been drilled and will be placed into service during the Test Year; (3) Tank 1200 N-2 has been completed and placed into service; and (4) Tank 1200N-1 has been painted.<sup>28</sup>

E.

Public Hearing

On October 17, 2012, the commission held a public hearing on the relief requested by WHWC in its Application at Waikoloa Elementary School, island of Hawaii, in accordance with HRS § 269-16(b). WHWC's representative, the Consumer Advocate, and members from the public appeared and testified. In general, the members of the public who testified expressed their concerns with, and opposition to, WHWC's proposal to increase its rates and charges as well as the magnitude of the proposed increases.<sup>29</sup>

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<sup>28</sup>Application at 5.

<sup>29</sup>See Public Hearing Sign-Up Sheet and Written Testimonies filed on October 17, 2012; and other Public Comments filed on October 17, 22, and 26, 2012, November 7, 9, and 30, 2012, and December 4, 2012.

F.

Procedural Background

On February 19, 2013, the Consumer Advocate filed its direct testimonies and exhibits. Thereafter, the Parties commenced settlement discussions. As a result, on August 14, 2013, the Parties filed their Settlement Agreement. WHWC entered into and filed the Settlement Agreement in lieu of an evidentiary hearing.

The commission, as part of its review of the Settlement Agreement, issued clarifying information requests, to which WHWC responded on April 15 and June 23, 2014.

G.

Issues

As set forth in the Stipulated Procedural Order approved by the commission on December 5, 2012, the issues in this proceeding are:

- 1) Whether WHWC's proposed rate increases are reasonable.
  - a) Whether the proposed tariffs, rates, and charges are just and reasonable.
  - b) Whether the revenue forecasts for the July 1, 2012 through June 30, 2013 Test Year at present rates and proposed rates are reasonable.

- c) Whether the projected operating expenses for the Test Year are reasonable.
  - d) Whether the projected rate base for the Test Year is reasonable, and whether the properties included in the rate base are used or useful for public utility purposes.
  - e) Whether the requested rate of return is fair.
- 2) Whether the commission should approve WHWC's request to modify the terms of its Power Cost Adjustment to reflect the cost of power currently in effect.
  - 3) Whether the commission should approve WHWC's other proposed changes to its tariff.<sup>30</sup>

## II.

### Discussion

WHWC, a public utility with annual gross revenues of less than \$2 million, filed its Application pursuant to HRS § 269-16(f). . . This section of the law streamlines the rate review process for small public utilities such as WHWC. In short, it requires the commission to make every effort to issue its Proposed Decision and Order within six months from the filing date of WHWC's complete Application, "provided that all parties to the

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<sup>30</sup>See "Approving Parties' Stipulated Procedural Order, With a Modification," Order No. 30873, filed on December 5, 2012; "Stipulated Procedural Order, Exhibit A, and Certificate of Service," filed on November 5, 2012, at 3.

proceeding strictly comply with the procedural schedule established by the commission. . . ."<sup>31</sup>

Specifically, section 269-16(f) states, in relevant part:

Notwithstanding any law to the contrary, for public utilities having annual gross revenues of less than \$2,000,000, the commission may make and amend its rules and procedures to provide the commission with sufficient facts necessary to determine the reasonableness of the proposed rates without unduly burdening the utility company and its customers. In the determination of the reasonableness of the proposed rates, the commission shall:

- (2) Hold a public hearing as prescribed in section 269-12(c) at which the consumers or patrons of the public utility may present testimony to the commission concerning the increase. The public hearing shall be preceded by proper notice, as prescribed in section 269-12; and
- (3) Make every effort to complete its deliberations and issue a proposed decision and order within six months from the date the public utility files a completed application with the commission; provided that all parties to the proceeding strictly comply with the procedural schedule established by the commission and no person is permitted to intervene. If a proposed decision and order is rendered after the six-month period, the commission shall report in writing the reasons therefor to

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<sup>31</sup>HRS § 269-16(f) (3)

the legislature within thirty days after rendering the proposed decision and order. Prior to the issuance of the commission's proposed decision and order, the parties shall not be entitled to a contested case hearing.

If all parties to the proceeding accept the proposed decision and order, the parties shall not be entitled to a contested case hearing, and section 269-15.5 shall not apply. If the commission permits a person to intervene, the six-month period shall not apply and the commission shall make every effort to complete its deliberations and issue its decision within the nine-month period from the date the public utility's completed application was filed, pursuant to subsections (b), (c), and (d).

If a party does not accept the proposed decision and order, either in whole or in part, that party shall give notice of its objection or nonacceptance within the timeframe prescribed by the commission in the proposed decision and order, setting forth the basis for its objection or nonacceptance; provided that the proposed decision and order shall have no force or effect pending the commission's final decision. If notice is filed, the above six-month period shall not apply and the commission shall make every effort to complete its deliberations and issue its decision within the nine-month period from the date the public utility's completed application was filed as set forth in subsection (d). Any party that does not accept

the proposed decision and order under this paragraph shall be entitled to a contested case hearing; provided that the parties to the proceeding may waive the contested case hearing.

Public utilities subject to this subsection shall follow the standard chart of accounts to be approved by the commission for financial reporting purposes. The public utilities shall file a certified copy of the annual financial statements in addition to an updated chart of accounts used to maintain their financial records with the commission and consumer advocate within ninety days from the end of each calendar or fiscal year, as applicable, unless this timeframe is extended by the commission. The owner, officer, general partner, or authorized agent of the utility shall certify that the reports were prepared in accordance with the standard chart of accounts.

Initially, the six-month deadline by which the commission was to issue a Proposed Decision and Order was February 28, 2013. Nonetheless, the commission approved numerous requests to extend certain procedural deadline dates, including the date for the Parties to file their Settlement Agreement. As a result, WHWC voluntarily waived the six-month deadline by which the commission was required to issue its Proposed Decision and Order, and agreed to extend the deadline to a date to be determined by the commission.<sup>32</sup>

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<sup>32</sup>See "Approving Parties' Stipulated Procedural Order, with a Modification," Order No. 30873, filed December 5, 2012; "Approving West Hawaii Water Company's Request to Modify Stipulated Regulatory Schedule," Order No. 30916,

Although the stipulated regulatory schedule contemplated the issuance of a Proposed Decision and Order, the commission issues this Decision and Order in lieu of a Proposed Decision and Order. Such action, in effect, renders moot the issuance of a Proposed Decision and Order.

A.

Settlement Agreement

The Settlement Agreement reflects the Parties' settlement of all the issues in this proceeding. In reaching their agreement, the Parties state:

1. The provisions of the Settlement Agreement are binding as between them with respect to specific issues and matters to be resolved in this proceeding.<sup>33</sup>
2. The Parties reserve their respective rights to proffer, use, and defend different positions, arguments, methodologies, or claims regarding

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filed December 20, 2012; "Approving West Hawaii Water Company's Second Request to Modify Stipulated Regulatory Schedule," Order No. 30956, filed January 24, 2013; "Approving West Hawaii Water Company's Third Request to Modify Stipulated Regulatory Schedule," Order No. 31131, filed March 27, 2013; "Approving West Hawaii Water Company's Fourth Request to Modify Stipulated Regulatory Schedule," Order No. 31182, filed April 17, 2013; "Approving West Hawaii Water Company's Fifth Request to Modify Stipulated Regulatory Schedule," Order No. 31292, filed June 6, 2013; "Approving West Hawaii Water Company's Sixth Request to Modify Stipulated Regulatory Schedule," Order No. 30956, filed July 26, 2013; and "Approving Consumer Advocate's Request to Modify Stipulated Regulatory Schedule," Order No. 31408, filed August 13, 2013.

<sup>33</sup>See Settlement Agreement at 7.

the matters stipulated to herein in other dockets or proceedings.<sup>34</sup>

3. Each provision of the Settlement Agreement is in consideration and support of all other provisions, and is expressly conditioned upon the commission's acceptance of the Settlement Agreement in its entirety.<sup>35</sup>

"In the event the Commission declines to adopt parts or all of the matters agreed to by the Parties and as set forth in this [Settlement Agreement], the Parties reserve the right to pursue any and all of their respective positions through further negotiations and/or additional filings and proceedings before the Commission."<sup>36</sup>

4. "[T]he Commission may take such steps and actions deemed necessary and appropriate to facilitate its review of this [Settlement Agreement], and to determine whether this [Settlement Agreement] should be approved. . . ."<sup>37</sup>

The Parties also acknowledge that their Settlement Agreement is subject to the commission's review and approval, and that the commission is not bound by the Settlement Agreement.<sup>38</sup> In this regard, it is well-settled that an agreement between the parties in a rate case cannot bind the commission, as the

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<sup>34</sup>See Settlement Agreement at 7.

<sup>35</sup>See Settlement Agreement at 55.

<sup>36</sup>Settlement Agreement at 55.

<sup>37</sup>Settlement Agreement at 55.

<sup>38</sup>See Settlement Agreement at 3.



commission has an independent obligation to set fair and just rates and arrive at its own conclusion.<sup>39</sup>

With this mandate, the commission proceeds in reviewing the justness and reasonableness of the provisions of the Parties' Settlement Agreement.

B.

Summary of the Parties' Settlement Agreement

The Parties stipulate to a total revenue requirement of \$2,307,788 for the test year, consisting of \$2,300,956 in total operating expenses including depreciation and taxes, and \$6,833 in operating income based on a stipulated 7.75% rate of return on WHWC's stipulated rate base of \$88,169.<sup>40</sup> The Settlement Agreement results in a revenue increase of \$145,976 in revenues over present rates, or approximately 6.8%. Additionally, the Parties agree to replace the PCAC with a Power Cost Charge ("PCC"), as discussed in more detail below. The Parties agree that the Settlement Agreement provides WHWC with the opportunity to recover reasonable levels of test year operating expenses and operating income under the settlement terms.<sup>41</sup>

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<sup>39</sup>See In re Hawaiian Elec. Co., Inc., 5 Haw. App. 445, 698 P.2d 304 (1985).

<sup>40</sup>Settlement Agreement at 8.

<sup>41</sup>See Settlement Agreement at 8.

Lastly, the Parties stipulated to certain revisions to WHWC's existing tariff rules governing CIAC and System Extension rules.

C.

Operating Revenues

WHWC's existing rate design consists of: (1) a fixed service charge per meter; (2) a water usage charge, measured on a per TG basis, combined with a net operating reserve charge to collect funds for major maintenance and repair and operating contingencies; and (3) a power cost adjustment surcharge.

Based on WHWC's existing rate design, the Parties stipulated to a total sum of \$2,161,813 in operating revenues at present rates as follows:

	<u>Operating Revenues at Present Rates</u>
Fixed service charge	\$ 227,517
Water usage charge	\$1,139,810
Power cost adjustment charge	<u>\$ 794,485</u>
Total operating revenues at present rates	\$2,161,813

1.

Customer Count and Fixed Service Charge

In its Application, WHWC forecasted a total customer count of 1,941, consisting of 1,871 single family customers,

40 multi-family customers, and 30 commercial customers. The single family customer count included 45 new single family residential customers from dormant projects and individual housing units. In response to Consumer Advocate IRs, WHWC stated that it did not appear that the projected 45 new residences would be occupied during the Test Year.<sup>42</sup> Accordingly, the Consumer Advocate proposed, and WHWC agreed, to reduce the single family residential customer count by 45 resulting in a forecasted total customer count of 1,896.

<u>Customer Class</u>	<u>No. of Meters</u>
Single-family Residential	1,826
Multi-family Residential	40
Commercial (non-restaurant)	24
Commercial (public authority)	6
Temporary Construction	<u>0</u>
Total	1,896

With respect to the projected revenues from the fixed service charge, the Parties' stipulated estimates are as follows:

<u>Customer Class</u>	<u>Stipulated Revenues from Fixed Charges</u>
Single-family Residential	\$157,766
Multi-family Residential	\$ 52,622
Commercial (non-restaurant)	\$ 13,464
Commercial (public authority)	\$ 3,665
Temporary Construction	<u>0</u>
Total	\$227,517

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<sup>42</sup>See Response to CA-IR-16.a

Water Usage Charge

In the Application, WHWC forecasted \$1,118,370 in Test Year water usage revenues at present rates based on a historical seven-year water usage from 2005 to 2011. The Consumer Advocate proposed the use of a six-year historical average for the period of 2007 to 2012, removing the 2005 and 2006 years because the number of single family customers and multi-family units in the service territory was significantly lower than the period from 2007 to 2012, and would thus understate the water usage for the current customer base. The Consumer Advocate also included the water usage for 2012 because those numbers were recently available and represented current customer usage.<sup>43</sup>

As such, the Parties stipulated to total estimated water usage for the Test Year at 669,397,000 gallons for a total estimated Test Year water usage revenue of \$1,139,809.<sup>44</sup> The water usage and water usage revenue breakdown by customer class is as follows:

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<sup>43</sup>See CA-T-1 at 18

<sup>44</sup>See CA-T-1 at 19; Exhibit CA-108; Settlement Agreement at 10.

<u>Customer Class</u>	<u>Stipulated Water Usage (000s gallons)</u>	<u>Stipulated Revenues at Present Rates</u>
Single-family Residential	422,463	\$ 719,345
Multi-family Residential	174,064	\$ 296,385
Commercial (non-restaurant)	27,109	\$ 46,159
Commercial (public authority)	29,822	\$ 50,779
Temporary Construction	<u>15,940</u>	<u>\$ 27,142</u>
Total	669,397 <sup>45</sup>	\$1,139,809 <sup>46</sup>

3.

Power Cost Adjustment Surcharge

Lastly, the Parties' stipulated estimate for power cost adjustment surcharge revenues of \$794,485 is based on the revenues generated from WHWC's existing commission-authorized Power Cost Adjustment Clause.<sup>47</sup> Consistent with ratemaking principles, the revenues from the power cost adjustment surcharge are "zeroed out" in calculating WHWC's Test Year revenue requirement. For purposes of the subject proceeding, such action: (1) represents the re-setting of WHWC's existing Power Cost Adjustment Charge to zero; and (2) also reflects the requested approval to replace

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<sup>45</sup>Settlement Agreement, Exhibit A, Schedule 8.2.

<sup>46</sup>Settlement Agreement, Exhibit A, Schedule 8.1.

<sup>47</sup>See Settlement Agreement, Exhibit A, Schedule 6.

WHWC's existing Power Cost Adjustment Charge with a Power Cost Charge.<sup>48</sup>

4.

Total Revenues at Present Rates

In sum, the commission finds reasonable the Parties' stipulated amount of \$2,161,813 in revenues at present rates, as discussed in detail above.

D.

Four-Factor Allocation Method

As discussed above, HWSC, directly or through its subsidiaries, owns and operates: (1) two systems on Maui (i.e., its Ka'anapali Division's water operations and Pukalani Division's wastewater operations); and (2) seven systems on the island of Hawaii (WHWC's water operations, WHSC's wastewater operations, Kona Water's water operations, Kona Waste Water's wastewater operations, and WHUC's water, wastewater, and irrigation water operations.)

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<sup>48</sup>See CA-T-1, at 63 (WHWC's power cost adjustment clause should be re-set to zero); Settlement Agreement, Exhibit A, Schedule 6; and commission's Revenue Requirements Schedule, attached herein; see also Docket No. 2009-0310, Decision and Order No. 30103, at 21 n.17 (consistent with ratemaking principles, the amount of revenues from the automatic power cost adjustment is later "zeroed" out - specifically, the amount of the water utility's increase in revenues over present rates).

While the majority of the expenses and plant associated with these systems are charged directly to each system, there are many expenses and plant costs that apply to multiple systems. Accordingly, HWSC uses a four-factor allocation methodology to apportion the shared expenses and plant costs among its Hawaii systems. The four-factor allocation method proportionately distributes costs across the systems based on the "number of customers, plant in service, direct operations and maintenance costs and direct gross payroll."<sup>49</sup>

The shared costs are generally organized into four separate expense pools for allocation: (1) Department 790, Hawaii General Office (allocated to all systems); (2) Department 796, Wastewater Administration (to be allocated to the wastewater business units); (3) Department 710, Maui labor and other costs (to be allocated to Maui systems); and (4) Department 720 Big Island labor and other costs (to be allocated to the Hawaii Island systems). That said, "[f]or purposes of the three current rate case proceedings, HWSC introduced a fifth expense pool: Department 720A - Waikoloa Districts."<sup>50</sup>

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<sup>49</sup>Settlement Agreement at 11.

<sup>50</sup>Settlement Agreement at 12.

Three expense pools are partially allocated to WHWC (Departments 790, 720, and 720-A). "The allocation percentages to WHWC for the test year from these three departments are 13.06%, 19.17%, and 24.26%, respectively."<sup>51</sup>

The commission finds reasonable the use and application of HWSC's allocation methodology for this proceeding. In support thereof, the commission notes that in three past HWSC rate case proceedings, the commission found reasonable HWSC's use and application of the four-factor methodology for its Ka'anapali, Pukalani, and WHUC Divisions, respectively.<sup>52</sup> Moreover, the Consumer Advocate did not object in this proceeding to the use of the four-factor allocation methodology described by HWSC or the amounts to be allocated pursuant thereto.<sup>53</sup>

The Parties further agree to use substantially the same methodology to allocate shared expenses in future rate cases

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<sup>51</sup>Settlement Agreement at 12.

<sup>52</sup>See In re Hawaii Water Serv., Co., Inc., Docket No. 2009-0310 ("Docket No. 2009-0310"), Decision and Order No. 30103, Section II.D, Allocation of Shared Expenses and Plant Costs, at 22-25, filed January 11, 2012; In re Hawaii Water Serv., Co., Inc., Docket No. 2011-0148 ("Docket No. 2011-0148"), Proposed Decision and Order No. 31760, filed on December 23, 2013, Section II.C, Operating Expenses, at 22-24; and In re Waikoloa Resort Utilities, Inc., dba West Hawaii Utility Company, Docket No. 2011-0331 ("Docket No. 2011-0331") Decision and Order No. 32107, Section II.C, Allocation of Shared Expenses and Plant Costs, at 38-39, filed on May 23, 2014.

<sup>53</sup>See Settlement Agreement 12.



concerning HWSC's business units "unless either HWSC or the Consumer Advocate presents reasonable justification to change the methodology."<sup>54</sup> The commission makes clear that its approval to utilize HWSC's allocation methodology is solely limited to this rate case (Docket No. 2012-0148), and that any other future rate case involving HWSC's other business units is beyond the scope of this proceeding.<sup>55</sup>

E.

Cost of Service Study

The Parties, as part of their Settlement Agreement, stipulate to: (1) a sum of \$30,000 to recover the cost of a cost-of-service study WHWC agrees to undertake and complete prior to filing of its next rate case application; and (2) amortizing the \$30,000 sum over three years (\$10,000 x 3).<sup>56</sup> The stipulated sum for WHWC's cost-of-service study is included as part of the Parties' stipulated, overall estimate for WHWC's general and administrative expense.<sup>57</sup>

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<sup>54</sup>Settlement Agreement at 12.

<sup>55</sup>Accord Docket No. 2009-0310, Decision and Order No. 30103, at 25, n.23; Docket No. 2011-0148, Proposed Decision and Order No. 31760, at 23, n.49; and Docket No. 2011-0331, Decision and Order No. 32107, at 40.

<sup>56</sup>Settlement Agreement at 29.

<sup>57</sup>See Settlement Agreement, Exhibit A, Schedule 8.17.

A similar stipulation was made in Docket No. 2011-0331 (WHUC's most recent Application for a rate increase) between WHUC and the Consumer Advocate. In Decision and Order No. 32107, the Commission found that WHUC had not met its burden of proving that the inclusion of the stipulated expense for its cost-of-service study was reasonable for the following reasons:

1. WHUC had not used, solicited, or completed a cost-of-service study in the subject proceeding;
2. The stipulated sum was intended to recover the cost of a cost-of-service study to be used in a future rate increase application;
3. WHUC's ratepayers should not have to pay for the expenses of a non-existent cost-of-service study from which they will not benefit; and
4. In the subject proceeding, the Parties, as part of their settlement agreement, had already agreed to remove the cost of WHUC's depreciation study because the study would not be used in the Test Year.<sup>58</sup>

For the same reasons, the commission disallows the stipulated expense for WHWC's cost-of-service study in the present proceeding. The commission's disallowance, in turn, affects the Parties' stipulated amounts for: (1) general and administrative expense; (2) labor expense (including the amount of the Parties' proposed austerity adjustment); (3) revenue taxes at proposed/approved rates; (4) income taxes; and (5) working cash.

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<sup>58</sup>Docket No. 2011-0331, Decision and Order No. 32107, at 41-43.

WHWC is not precluded from seeking recovery for any reasonable expenses incurred in completing any future cost-of-service study as part of a future rate case application.

F.

Operations and Maintenance Expenses at Present Rates

The Parties stipulated to the following operations and maintenance expense amounts at present rates (Settlement Agreement, Exhibit A, Schedule 6):

<u>Expense</u>	<u>Present Rates (Consolidated)</u>
Labor	\$378,582
Fuel and Power	\$1,497,939
Chemicals	\$5,847
Materials and Supplies	\$375
Affiliated Charges	\$25,373
Professional and Outside Services	\$18,816
Repairs and Maintenance	\$22,671
Rental	\$15,760
Insurance	\$10,800
Regulatory	\$14,146
General and Administrative	\$76,347
Miscellaneous and Other	<u>\$51,045</u>
Total, operations and maintenance	\$2,117,702

In general, the above-referenced amounts (excluding regulatory expense) represent the normalized level of expenses WHWC would incur during the Test Year to operate and maintain its water facilities and provide potable water and private fire services to its ratepayers. Regulatory expense represents the reasonable amount of expenses incurred by WHWC to process this

rate case, as agreed upon by the Parties, amortized over a five-year period.

1.

Labor

WHWC's labor expense is comprised of three accounts: Payroll \$212,165; Employee Benefits \$147,937; and Payroll Taxes \$18,480, for a total labor expense of \$378,582.<sup>59</sup>

The stipulated amount for payroll expense is based on WHWC's Test Year salaries and wages, subject to certain adjustments recommended by the Consumer Advocate and agreed to by WHWC. The stipulated adjustments consist of: (1) removing \$99,996 of wages which was inadvertently double counted; (2) removing \$133,558 of payroll expense that should be allocated to WHUC pursuant to the Water Sharing Agreement with WHUC; (3) removing payroll expenses for two positions that were not filled during the Test Year; and (4) applying a downward austerity adjustment of \$23,078, i.e., an amount which represents one percent of the Parties' stipulated Test Year revenue requirement (i.e., one percent of \$2,307,778).

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<sup>59</sup>See Settlement Agreement at 15.

The stipulated amounts for payroll taxes and employee benefits, in turn, generally correlate to the Parties' agreed-upon amount for payroll expense.<sup>60</sup>

The Consumer Advocate initially recommended that WHWC's recovery for payroll expense be limited to the utility's 2009 expense levels by excluding the costs associated with recent pay increases (i.e., 2010 and 2011) for WHWC's employees (i.e., an austerity adjustment). The Consumer Advocate reasoned that "ratepayers in the Waikoloa Village area are still attempting to recover from the economic recession and unemployment," and that it is "unreasonable to expect these same ratepayers to bear the costs of the annual pay increases received by WHWC employees."<sup>61</sup>

WHWC disagreed with the Consumer Advocate's recommendation, countering that 2009 expense levels were not used to determine the stipulated amounts for any of the Test Year expenses and that the proposed adjustment is approximately 3% of WHWC's revenues at current rates, which is much higher than the "austerity" adjustments agreed to in prior rate cases.<sup>62</sup>

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<sup>60</sup>See Settlement Agreement, Section III.D.1, Labor Expense, at 12-15; Settlement Agreement, Exhibit A, Schedule 8.3.

<sup>61</sup>Settlement Agreement at 13.

<sup>62</sup>See Settlement Agreement at 14. See also In re Hawaii Elec. Light Co., Inc., Docket No. 2009-0164, Decision and Order No. 30168, filed on February 8, 2012, Section II.C.5, Austerity Adjustment, at 40-45 (downward austerity adjustment for the electric utility's 2010 test year rate case);

As a result of the settlement negotiations, the Parties agreed to a downward "austerity" adjustment to payroll expenses of 1% of revenues at proposed rates (i.e., 1% of \$2,307,788).

The commission's disallowance of the stipulated expense for the non-existent cost-of-service study results in various adjustments to the Parties' stipulated amount for labor expense, including an adjustment to the amount of the Parties' agreed-upon austerity adjustment. Consistent with the Parties' agreed-upon methodology, the amount of the austerity adjustment represents one percent of the Test Year revenue requirement approved by the commission in this Decision and Order, calculated as follows:

<u>Revenues at</u> <u>Approved Rates</u>		<u>Austerity</u> <u>Adjustment</u>
\$2,264,991	x 1% =	\$22,650 (rounded)

As a result of the various adjustments, the commission finds reasonable the sum of \$348,819 in labor expense at present rates.

and In re Hawaiian Elec. Co., Inc., Docket No. 2010-0080, Interim Decision and Order, filed on July 22, 2011, Ordering paragraph No. 4, at 51 (the electric utility shall reallocate its downward austerity adjustment to reflect cost categories that do not impact service, reliability, and safety, subject to the commission's review) (electric utility's 2011 test year rate case).

Fuel and Power

In its Application, WHWC proposed a fuel and power expense of \$1,513,967. The power expense was estimated by projecting an estimate of kilowatt hours of electricity to be purchased in the Test Year multiplied by the actual cost per kilowatt hour of electricity for the first two months of 2012.<sup>63</sup>

The Consumer Advocate recommended three adjustments to WHWC's Test Year forecast for fuel and power expense: (1) reduce the water loss percentage used to compute the total well production for the Test Year from 7.58% to 6.04%; (2) reduce the pump efficiency factor from 5.7592 to 5.63 based on a six-year average of pump efficiency factors for the period 2007-2012;<sup>64</sup> and (3) update the price of electricity to \$0.3733 per kWh based on the actual price for 2012 increased by an inflation factor of 2.1771%.<sup>65</sup>

The issue of WHWC's high level of water loss was first raised in WHWC's last rate case, Docket No. 04-0373.

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<sup>63</sup>See Settlement Agreement at 15.

<sup>64</sup>See Settlement Agreement at 17 (this six-year period is the same period that was used to calculate the projected Test Year water usage).

<sup>65</sup>See Settlement Agreement at 17 (stating that the inflation factor was the average increase in the price of electricity from 2011 to 2012).

In Docket No. 04-0373, the Consumer Advocate observed that there was a significantly higher water loss percentage for the Village meter (more than 10%) as compared to the Resort meter.<sup>66</sup> In that docket, the commission agreed with the Consumer Advocate's recommendation, and ordered WHWC to file a report by December 30, 2005, to identify the causes of the Village's water loss and the corrective action to be taken by WHWC.<sup>67</sup> In a letter dated December 27, 2005, WHWC stated that it had reviewed the water system and measuring practices and, under a revised methodology for determining unaccounted water, WHWC found that the Village water loss for 2005 remained at approximately 10%, which reflected a "tight system."<sup>68</sup>

Despite the revised methodology, WHWC continues to experience high levels of water loss at their Village meter. The Village water loss exceeded 10% from 2008 to 2012, and over

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<sup>66</sup>In re Waikoloa Water Company, Inc. dba West Hawaii Water Company, Docket No. 04-0373 ("Docket No. 04-0373"), CA-T-2 at 24.

<sup>67</sup>See Docket No. 04-0373, Proposed Decision and Order No. 21885, filed on June 22, 2005, at 56-57.

<sup>68</sup>See Docket No. 04-0373, Letter filed on December 27, 2005 (explaining that the revised methodology uses current period measurements, as opposed to roll-forward readings, that are taken from Tank 900 to eliminate the distortions caused by low readings at Tank 300 resulting from the effects of water turbulence).



the six-year period from 2007 to 2012, the average loss was 13.21%.<sup>69</sup> In 2010, the Village water loss reached 17.32%.<sup>70</sup>

As a result, the Consumer Advocate recommended, and the Parties stipulated to, using a cap of 10% on Village water losses, resulting in a combined water loss percentage of 6.04%.<sup>71</sup>

The commission finds reasonable the methodology used by the Parties to calculate the fuel and power expense of \$1,497,939 and, thus, finds the Parties' stipulated amount for fuel and power at present rates to be reasonable. Additionally, the commission concurs with the Consumer Advocate's recommendation that WHWC continue its investigation into the causes of the Village water loss and take appropriate, corrective action.

3.

Chemicals

The Parties stipulated to a Test Year chemicals expense of \$5,847 at present rates. The Parties' stipulated amount is based on a five-year average of the chemicals expense from 2007 to

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<sup>69</sup>See CA-T-1 at 30.

<sup>70</sup>See CA-T-1 at 30.

<sup>71</sup>See Settlement Agreement at 17.

2011.<sup>72</sup> The commission finds reasonable the Parties' stipulated amount of \$5,847 in chemicals expense at present rates.

4.

Materials and Supplies

In its Application, WHWC proposed a materials and supplies expense of \$4,421 based on a five-year average of actual expenses from 2007 to 2011. However, the Consumer Advocate contended that the materials and supplies amount has varied from year to year since 2007 and that the initial amount in 2007 (\$29,353) included a large demand for meters and hydrants due to growth and a strong construction market.<sup>73</sup> Moreover, the Consumer Advocate noted that 2009 was the first full year of operations under HWSC ownership and since that time, a "greater familiarity with the systems has resulted in a stabilization of accounting information. . . ." <sup>74</sup>

As a result, the Parties stipulated to a material and supplies expense of \$375 at present rates based on a three-year average of the materials and supplies expense from 2010-2012.

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<sup>72</sup>See Settlement Agreement at 18.

<sup>73</sup>CA-T-1 at 33.

<sup>74</sup>CA-T-1 at 33-34.

The commission finds reasonable the Parties' stipulated amount of \$375 in materials and supplies expense at present rates.

5.

Affiliated Charges

WHWC's affiliated charges are allocations of pooled expenses from: (1) its parent entity, California Water Service Group; and (2) its affiliated entity, California Water Service Company, based on the four-factor method.<sup>75</sup> The allocation is based on the four-factor allocation method described above. No direct charges are included in the affiliate charges account.

The Parties stipulated to a sum of \$25,373 in affiliated charges expense at present rates. The stipulated sum is calculated based on: (1) one-hundred percent of the 2011 charges allocated from California Water Service Group to WHWC; (2) eighty percent of the 2011 charges allocated from California Water Service Company to WHWC; and (3) the application of a 3.6% inflationary factor to these respective amounts.<sup>76</sup>

The commission finds reasonable the Parties' stipulated amount of \$25,373 in affiliated charges expense at present rates.

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<sup>75</sup>See Settlement Agreement at 19.

<sup>76</sup>See Settlement Agreement at 21; and Settlement Agreement, Exhibit A, Schedule 8.10.

Professional and Outside Services

WHWC's professional and outside services are "comprised of technical services, legal fees, accounting, and other consulting services."<sup>77</sup> In its Application, WHWC proposed a professional and outside services expense of \$39,250 based on a five-year average of actual expenses from 2007 to 2011.<sup>78</sup>

The Consumer Advocate countered that certain non-recurring and extraordinary costs should be removed in order to normalize the expenses.<sup>79</sup> For example, the Consumer Advocate proposed removing legal costs for a denied CIAC rate increase application in Docket No. 2005-0288 and other unidentified costs.<sup>80</sup>

Consistent with its revised position on other expense items, WHWC proposed to base the Test Year expense on the three-year average of 2010-2012. WHWC also asserted that although the exact expense items may not occur on an annual basis, similar types of expenses occur, and using the average of several years normalizes the expense amount.<sup>81</sup>

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<sup>77</sup>Application, Exhibit WHWC-T-200, at 8.

<sup>78</sup>See Application, Exhibit A, Schedule 8.11.

<sup>79</sup>See CA-T-2 at 2-6.

<sup>80</sup>See Settlement Agreement at 22.

<sup>81</sup>See Settlement Agreement at 22-23.

As a result of negotiations, the Parties stipulated to WHWC's revised position and thus reflected a professional and outside services expense of \$18,816 at present rates.<sup>82</sup>

The commission finds reasonable the Parties' stipulated amount of \$18,816 in professional and outside services expense at present rates.

7.

Repairs and Maintenance

The Parties stipulated to a Test Year repairs and maintenance expense of \$22,671 at present rates. The Parties' stipulated amount is based on a five-year average of the chemicals expense from 2007 to 2011.<sup>83</sup> The commission finds reasonable the Parties' stipulated amount of \$22,671 in repairs and maintenance expense at present rates.

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<sup>82</sup>See Settlement Agreement at 23.

<sup>83</sup>See Settlement Agreement at 23.

8.

Rental

Rental expense represents the costs incurred by WHWC for the rental of its: (1) administrative offices in the Waikoloa Highlands Shopping Center; and (2) base yard.<sup>84</sup>

The Parties stipulated to a sum of \$15,760 in rental expense at present rates. The Parties applied the allocation factors set forth in Department 720A (Waikoloa Districts) in calculating rental expense for WHWC's operations.<sup>85</sup>

The commission finds reasonable the Parties' stipulated amount of \$15,760 in rental expense at present rates.

9.

Insurance

In its Application, WHWC proposed insurance expense of \$10,800 for the Test Year. This amount was based on WHWC's allocated share of the quoted cost for insurance provided to California Water Service Company. The Consumer Advocate made no adjustments to WHWC's Test Year insurance expense amount.

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<sup>84</sup>Application, Exhibit WHUC-T-200, at 9; and Settlement Agreement at 23.

<sup>85</sup>Settlement Agreement at 23-24; and Settlement Agreement, Exhibit A, Schedule 8.13.

The Parties stipulated to insurance expense of \$10,800 for the Test Year at present rates,<sup>86</sup> which the commission finds reasonable.

10.

Regulatory (Rate Case Expense)

The Parties stipulated to \$14,146 in regulatory expense at present rates. This amount is based on a total regulatory expense amount of \$70,728 amortized over a five-year period. The \$70,728 amount, in turn: (1) consists of the legal fees and travel expenses incurred by WHWC to process the subject rate case; and (2) includes WHWC's acceptance of two downward adjustments proposed by the Consumer Advocate.

As to the latter, the Consumer Advocate recommended removal of a "contingency" expense of \$1,772 included in the travel costs, reasoning that such expense seemed unreasonable given that travel costs already covers roundtrip travel for two individuals. The Consumer Advocate also recommended excluding the costs associated with the evidentiary hearing and briefing stages, reasoning that it is unlikely that a hearing will be held in this proceeding given the history of water rate case proceedings in this jurisdiction.

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<sup>86</sup>See Settlement Agreement at 24; and Settlement Agreement, Exhibit A, Schedule 8.14.

The commission, as part of its review of the overall Docket record, accepts the Parties' stipulated total regulatory expense amount of \$70,728, amortized over a five-year period resulting in an annual regulatory expense of \$14,146.

11.

General and Administrative

The Parties stipulate to a sum of \$76,347 in general and administrative expense. The stipulated sum is comprised of: (1) expenses incurred by WHWC for its office operations and related matters thereto, such as office materials and supplies, postage, customer billing and accounts, and employee travel, training, and certification, and professional dues and subscriptions, based on a three-year average from 2010 through 2012; and (2) the Parties' stipulated allotment of \$5,000 to implement a water conservation program. The stipulated sum also includes \$30,000 for WHWC's cost of service study, amortized over three years (\$10,000 x 3 years), which the commission has disallowed by this Decision and Order.

Conversely, the stipulated sum excludes the cost of a depreciation study that has not been completed or used in



calculating the stipulated Test Year revenue requirement for WHWC.<sup>87</sup>

Moreover, the Parties' agreement to include \$5,000 in costs for a water conservation program is subject to the condition that WHWC file an annual report by March 31<sup>st</sup> of each year which describes the utility's water conservation efforts and activities for the previous year.

The commission finds reasonable a sum of \$66,347 in general and administrative expense at present rates, an amount which represents the Parties' stipulated sum, minus the commission's disallowance of the stipulated annual amortized expense for the non-existent cost-of-service study.

The commission also approves as reasonable the condition that WHWC file an annual water conservation report by March 31<sup>st</sup> of each year.

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<sup>87</sup>See Settlement Agreement at 27-28. The commission notes that, at this juncture, a depreciation study has not been filed with the commission. See Docket No. 2011-0331, Decision and Order No. 32107, at 74, n.97 "[WHWC] will submit a copy of HWSC's depreciation study of its entire operations to the commission when it is final)."

12.

Miscellaneous and Other

The Parties stipulated to a sum of \$51,045 in miscellaneous and other expense at present rates. The stipulated sum is based on the three-year average of costs incurred from 2010 to 2012, subject to certain downward adjustments agreed-upon by the Parties.<sup>88</sup>

The commission finds reasonable the Parties' stipulated amount of \$51,045 in miscellaneous and other expense at present rates.

G.

Non-Operations/Non-Maintenance Expenses

WHWC's non-operations/non-maintenance expenses consist of taxes other than income taxes, income taxes, and depreciation.

1.

Taxes Other Than Income ("TOTIT")

WHWC's TOTIT, otherwise known as revenue taxes, consist of the: (1) State Public Service Company Tax ("PSCT") of 5.885% (see HRS chapter 239); and (2) State Public Utility Fee ("PUC Fee") of 0.50% (see HRS § 269-30).

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<sup>88</sup>See Settlement Agreement at 29-30; and Settlement Agreement, Exhibit A, Schedule 8.18.

The commission finds reasonable the Parties' stipulated amount for TOTIT of \$138,032 at present rates (for revenues of \$2,161,813).

The commission's calculation of revenue taxes at the authorized revenue requirement of \$144,620 is set forth in the revenue requirement schedule attached to this Decision and Order.

2.

Income Taxes

The commission's disallowance of the stipulated expense for the non-existent cost of service study and related adjustments thereto results in the need to re-calculate income taxes at present and approved rates. The commission's calculations, as set forth in the schedule attached to this Decision and Order, result in income taxes expense of (\$13,546) at present and \$943 at approved rates.

3.

Depreciation

In its Application, WHWC projected a depreciation expense of \$412,002 for the Test Year, less Test Year amortization for CIACs related to those depreciated plant items of \$316,148, resulting in a net Test Year depreciation expense of \$95,854. The Consumer Advocate countered that DW-7, which was put into

service near the end of the Test Year, should not be included in the plant-in-service balance for this proceeding.<sup>89</sup>

In the interest of reaching a settlement, the Parties agreed to the Consumer Advocate's recommendation, and stipulated to a Test Year depreciation expense of \$338,761 less Test Year CIAC amortization of \$303,847, resulting in a net Test Year depreciation expense of \$34,914.<sup>90</sup>

The commission finds reasonable the Parties' stipulated depreciation expense amount of \$34,914 at present rates.

H.

Average Rate Base

The Parties stipulate to utilizing an average test year rate base balance. WHWC's rate base balance consists of the averages of its net plant-in-service (i.e., the plant-in-service minus accumulated depreciation), minus net CIAC, accumulated deferred income taxes ("ADIT"), and the unamortized Hawaii State Capital Goods Excise Tax Credit ("HSCGETC"), plus working cash.<sup>91</sup>

In determining the average balance, the Parties began with WHWC's recorded plant-in-service as of June 30, 2012.

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<sup>89</sup>See Settlement Agreement at 31.

<sup>90</sup>See Settlement Agreement at 31.

<sup>91</sup>See Application, Exhibit WHWC-T-100, at 14.

Next, the Parties agreed to include the amounts that were added to or removed from WHWC's respective plant-in-service balances between July 1, 2012 and June 30, 2013. Lastly, the Parties agreed on the amounts for WHWC's respective accumulated depreciation balances, utilizing the straight-line unit depreciation method.

In general, the deductions from rate base represent funds provided by sources other than investors (i.e., ratepayers), for which the utility is not entitled to earn a return, while the addition to rate base represents funds supplied by WHWC's investors.

The Parties stipulate to the following average rate base balances for WHWC:

<u>Description</u>	<u>Balance</u>
Plant-in-service	\$13,023,406
Accumulated depreciation	<u>(\$5,541,719)</u>
Net plant-in-service	\$7,481,687
Net CIAC	(\$6,804,771)
ADIT: Federal	(\$507,710)
ADIT: State	(\$90,342)
Unamortized HCGETC	<u>(\$167,710)</u>
Subtotal	(\$7,569,993)
Working capital	\$173,162
Total	\$84,856

1.

Net plant-in-service

The overall net plant-in-service balance represents the major component of WHWC's average Test Year rate base balance. The Parties' agreement on the net plant-in-service balance, in effect, reflects the net investment in property utilized by WHWC to provide water services during the Test Year.

In its Application, WHWC proposed a Test Year plant-in-service balance as of June 30, 2013 of \$14,139,715. This amount reflected the following major plant additions: construction of Tank 1200N-2 at a cost of \$2,000,000, the recoating of the exterior of Tank 1200N-1 at a cost of \$390,000, and the planned addition of DW-7 during the Test Year at a cost of approximately \$5,000,000.<sup>92</sup>

The Consumer Advocate did not object to the inclusion of the costs of Tank 1200N-2 or the recoating of Tank 1200N-1. However, the Consumer Advocate, despite recognizing the need for DW-7,<sup>93</sup> recommended that DW-7 be removed from plant-in-service because it appeared that DW-7 would not be placed in service prior to the end of the Test Year.<sup>94</sup>

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<sup>92</sup>See Application, Exhibit WHWC 7.2; Settlement Agreement at 31-32.

<sup>93</sup>See CA-T-3 at 8.

<sup>94</sup>See Settlement Agreement at 32.

Upon receipt of documentation showing that DW-7 went into service on June 28, 2013 (i.e., before the end of the Test Year), the Consumer Advocate ceased its objection to the inclusion of the costs of DW-7 in the plant-in-service. However, the Consumer Advocate understands that the full cost of DW-7 is not included in the present rate case and that WHWC will seek to recover any remaining costs in its next rate proceeding. Accordingly, the Consumer Advocate reserves the right to scrutinize any additional costs related to DW-7, including whether any costs were unreasonably and imprudently incurred to expedite construction and installation of DW-7 for rate recovery purposes.<sup>95</sup>

Based on the foregoing, the commission finds reasonable the stipulated average plant-in-service balance of \$13,023,406, based on plant-in-service balances of \$11,907,096 as of June 30, 2012, and \$14,139,715 as of June 30, 2013.<sup>96</sup>

2.

Accumulated Depreciation

As discussed in Section II.G.3 above, WHWC and the Consumer Advocate stipulated to the items to be included in plant-in-service and the depreciation method to be used (i.e.,

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<sup>95</sup>See Settlement Agreement at 32.

<sup>96</sup>See Settlement Agreement at 33.

straight line unit depreciation) for this rate case. Accordingly, the commission finds reasonable the stipulated Test Year average accumulated depreciation amount of \$5,541,719.<sup>97</sup>

3.

Net CIAC

Generally, CIAC refers to "money or property a developer or customer contributes to fund a utility capital project."<sup>98</sup>

As discussed above, on October 22, 2009, WHWC, the Consumer Advocate, and WHWC's affiliates, WHSC and WHUC, entered into the Global Agreement to resolve their differences with respect to the ratemaking treatment of CIAC. Specifically, these parties agreed to the ratemaking treatment of: (1) CIAC income tax gross-up balances; (2) CIACs received pursuant to a Memorandum of Understanding ("MOU") with the County of Hawaii ("COH"); (3) deferred CIACs; and (4) the proposed transfer of "Excess" CIAC.

The Global Settlement sets forth certain principles to govern the ratemaking treatment of CIAC. However, only certain

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<sup>97</sup>See Settlement Agreement, Exhibit A, Schedule 7.

<sup>98</sup>Docket No. 2011-0148, Proposed Decision and Order No. 31760, at 45.



portions of the Global Settlement apply to WHWC.<sup>99</sup> Specifically:

(1) WHWC's deferred CIAC; and (2) the transfer of "Excess" CIAC.

a.

Deferred CIAC

With respect to WHWC's deferred CIAC, the applicable terms of the Global Settlement state:

Deferred CIAC and Imputed Interest on Such Amounts. In Docket No. 96-0366, [WHUC's 1997 test year rate case,] an issue arose regarding the ratemaking treatment of CIAC funds received by WHUC for real estate development projects that were pending or under construction and not yet receiving utility service. As a result of a Stipulation of Settlement reached between WHUC and the Consumer Advocate in said docket, WHUC and the Consumer Advocate agreed to not include the subject CIAC in the test year rate base (i.e., recognized for ratemaking purposes). Instead, the amounts collected for these pending or under construction real estate development projects would be recorded as deferred CIAC until such time that the real estate projects were completed and commenced receiving utility service from WHUC. At that time, the CIAC received for the real estate development project would be transferred from deferred CIAC to CIAC and recognized in the rate setting process.

In addition, because WHUC would not be recognizing the CIAC funds received for ratemaking purposes, WHUC and the Consumer Advocate agreed

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<sup>99</sup>See Settlement Agreement at 36 (unlike WHSC, WHWC had taxable income in every year CIAC was taxable in an amount greater than what was received, thus no adjustment is needed with respect to CIAC tax gross up amounts received by WHWC) and 37-38 (the Parties agreed that there will be no imputation of CIAC from the MOU with the COH).

that WHUC would accrue interest on the amounts received, net of tax, until the real estate development projects commenced receiving utility service from WHUC. The rate of interest applied by WHUC has been First Hawaiian Bank's prime rate plus 1.25%.

Although the above agreement applied only to WHUC, the accounting of CIAC for pending real estate development projects was also followed by WHSC and WHWC. Due to the unique accounting of the CIAC received by the Utilities for pending or under construction real estate development projects, all Utilities have significant amounts of deferred CIAC and accrued CIAC on their books. Furthermore, many of these real estate development projects for which CIAC funds were received are presently dead, dormant, or pending with no certainty as to whether the dormant or pending projects will materialize.

.....

WHWC has a total of \$2,875,451 in deferred CIAC credits, including payments by the COH, and anticipates receiving an additional \$3.95 million in CIAC (at present CIAC rates) from developers of proposed projects. . . .

Application, Exhibit WHWC-T-301 (Global Settlement), at 3 and 12 (emphasis added).<sup>100</sup>

As of the filing of the Application on August 28, 2012, WHWC's pending improvements consisted of the development and construction of DW-7, DW-8, and Tank 1200N-2 ("Pending Water

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<sup>100</sup>The Global Settlement also provides that imputed interest on deferred CIAC, where applicable, would continue to be applied. However, since the signing of the Global Settlement in 2009, WHWC has expended substantial funds on new improvements that exceeded the amount of WHWC's deferred CIAC. Thus, the Parties stipulate that the agreement regarding imputed interest on deferred CIAC is not applicable to WHWC. See Settlement Agreement at 38-39.

Improvements").<sup>101</sup> WHWC asserted that the completion of DW-8 would provide sufficient water capacity for existing customers, potential customers from dormant projects, and customers from proposed projects, including COH projects.<sup>102</sup>

As discussed above, WHWC had \$2,875,451 in deferred CIAC credits, and anticipated receiving approximately \$3,950,000 in additional CIAC from developers of proposed projects.<sup>103</sup> In accordance with the Global Settlement, WHWC proposed to apply its deferred CIAC and additional CIAC to WHWC's share of the cost of the Pending Water Improvements, which, as of the filing of the Settlement Agreement, was estimated to be \$5,149,695.<sup>104</sup> This resulted in WHWC having a remaining CIAC balance of approximately \$1,684,257 (the "Excess CIAC") (i.e., [\$2,875,451 (deferred CIAC) + \$3,958,501 (anticipated CIAC)] - \$5,149,695 (WHWC's cost of Pending Water Improvements)).<sup>105</sup>

The Parties agreed to seek commission approval to transfer this Excess CIAC to the net cost of WHSC's wastewater treatment plant, known as "K Plant."

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<sup>101</sup>See Settlement Agreement at 39.

<sup>102</sup>See Settlement Agreement at 39.

<sup>103</sup>See Settlement Agreement at 39.

<sup>104</sup>See Settlement Agreement at 39.

<sup>105</sup>See Settlement Agreement at 39.

b.

Excess CIAC

The Parties, as part of their Settlement Agreement, stipulated to transferring \$1,684,257 in Excess CIAC from WHWC to partially offset the net cost of WHSC's K plant, so as to increase K plant's capacity from 67,000 gpd to 400,000 gpd.

In support of the reasonableness of the proposed transfer of Excess CIAC, WHWC points to the stipulated provisions of the Global Settlement which provide the following justifications for the transfer:

1. Upon completion of the Pending Water Improvements, WHWC will have sufficient capacity for existing customers and customers from dormant and presently proposed projects;<sup>106</sup>

2. WHWC will be able to establish rate base and benefit WHWC customers, especially the 78%<sup>107</sup> of WHWC customers who are served by both utilities (i.e., WHSC);<sup>108</sup>

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<sup>106</sup>See Settlement Agreement at 41. See also Application, Exhibit WHWC-T-301, Sec. 2.4.f.i, at 7.

<sup>107</sup>A closer review of the record reveals that the percentage of shared customers may not be this large. See WHWC response to PUC-IR-2, filed June 23, 2014 (1,479 customers of both WHWC and WHSC ÷ 3,158 total customers of WHWC = 46.8% of WHWC customers are also customers of WHSC).

<sup>108</sup>See Settlement Agreement at 41. See also Application, Exhibit WHWC-T-301, Sec. 2.4.f.ii, at 7.

3. "WHWC can be given a 'fresh start' with respect to the costs of future improvements[;]"<sup>109</sup>

4. The customer who will use most of the additional 300,000 gpd capacity of the K Plant is the County of Hawaii, and the net impact to WHWC customers of transferring the "Excess CIAC" to WHSC is that WHWC will have a rate base of \$88,169 instead of zero;<sup>110</sup> and

5. WHSC is willing to apply the amount it anticipates receiving from WHWC prior to the actual transfer, in order to resolve all issues relating to the deferred CIAC and the MOU.<sup>111</sup>

The commission finds that, pursuant to the specific facts in this proceeding, the transfer of Excess CIAC is reasonable and in the public interest. The commission further finds that the stipulated average Test Year Net CIAC balance of \$6,804,771 is reasonable.<sup>112</sup>

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<sup>109</sup>Settlement Agreement at 42; see also Application, Exhibit WHWC-T-301, Sec. 2.4.f.iii, at 8.

<sup>110</sup>See Settlement Agreement at 42.

<sup>111</sup>See Settlement Agreement at 42; see also Application, Exhibit WHWC-T-300, at 18.

<sup>112</sup>See Settlement Agreement, Exhibit A, Schedule 7.

Accumulated Deferred Income Taxes

As previously explained by the commission:

ADIT represents the difference between the amount of income tax expense reported for book (i.e., ratemaking) and for tax purposes. In general, a regulated entity calculates and reports book depreciation expenses on a straight-line basis (i.e., straight-line depreciation), but for tax purposes, the regulated entity may write-off the same asset on an accelerated basis, i.e., accelerated depreciation. The difference in tax liabilities calculated for book and tax purposes, respectively, generates deferred income taxes. Thus, the regulated entity must pass onto its ratepayers the tax benefits received as a result of the accelerated tax depreciation practices. For ratemaking purposes, the ADIT is reflected as a reduction to rate base.<sup>113</sup>

The Parties stipulated to, and the commission finds reasonable, an average ADIT balance of \$507,710 for federal taxes and \$90,342 for state taxes.<sup>114</sup>

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<sup>113</sup>Docket No. 2006-0409, Decision and Order No. 24085, Section II.E.2, Accumulated Deferred Income Taxes, at 38 (citing to In re Young Bros., Ltd., Docket No. 2006-0396 ("Docket No. 2006-0396"), Decision and Order No. 23714, filed on October 12, 2007, at 50).

<sup>114</sup>See Settlement Agreement, Exhibit A, Schedule 7.

5.

Hawaii Capital Goods Excise Tax Credit

As previously explained by the commission:

The HSCGETC is the tax credit authorized for purchases related to the acquisition or construction of capital goods in the State. "Similar to ADIT, the tax benefits associated with HSCGETC must be returned to a regulated utility company's customers. Thus, similar to ADIT, the accumulated balance of HSCGETC is reflected as an offset to rate base."<sup>115</sup>

The Parties stipulated to, and the commission finds reasonable, an average Test Year HSCGETC of \$167,170.<sup>116</sup>

6.

Working Cash

Working cash represents "the amount of money provided by investors, over and above the investment in plant and other specifically identified rate base items, in order for WHUC to meet current obligations incurred in providing service pending receipt

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<sup>115</sup>Docket No. 2006-0409, Decision and Order No. 24085, Section II.E.3, Hawaii State Capital Goods Excise Tax Credit, at 39 (citing to Docket No. 2006-0396, Decision and Order No. 23714, filed on October 12, 2007, at 52).

<sup>116</sup>See Settlement Agreement, Exhibit A, Schedule 7.

of revenues from those services. WHUC is entitled to receive a return on such advances."<sup>117</sup>

The Parties' methodology for calculating WHWC's working cash balance is based on 1/12<sup>th</sup> of WHWC's total Test Year operations and maintenance expense, excluding taxes and depreciation.<sup>118</sup>

The Parties stipulated to a Test Year working capital amount of \$176,475.<sup>119</sup> However, the commission's disallowance of the stipulated expense for the non-existent cost-of-service study has resulted in the commission approving an amount of \$2,077,938 for WHWC's total Test Year operations and maintenance expense, an amount that is less than the Parties' stipulated amount of \$2,117,702. Consistent with the 1/12<sup>th</sup> methodology, the commission finds reasonable a working capital amount of \$173,162 ( $\$2,077,938 \div 12 = \$173,162$ ).

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<sup>117</sup>Docket No. 2006-0409, Decision and Order No. 24085, at 40 (citing to Docket No. 96-0366, Decision and Order No. 16372, at 12).

<sup>118</sup>See Settlement Agreement at 34.

<sup>119</sup>See Settlement Agreement at 34.



7.

Average Rate Base Balance

The Parties stipulate to an average Test Year rate base of \$88,169.<sup>120</sup> The commission, as a result of its adjustment to working cash, finds reasonable an average Test Year base of \$84,856.

I.

Rate of Return

As discussed by the Hawaii Supreme Court in In re Hawaii Elec. Light Co., Inc., 60 Haw. 625, 594 P.2d 612 (1979)

("In re HELCO"):

A fair return is the percentage rate of earnings on the rate base allowed a utility after making provision for operating expenses, depreciation, taxes and other direct operating costs. Out of such allowance the utility must pay interest and other fixed dividends on preferred and common stock. In determining a rate of return, the Commission must protect the interests of a utility's investors so as to induce them to provide the funds needed to purchase plant and equipment, and protect the interests of the utility's consumers so that they pay no more than is reasonable.

To calculate the rate of return, the costs of each component of capital - debt, preferred equity and common equity - are weighted according to the ratio each bears to the total capital structure of the company and the resultant figures are added together to yield a sum which is the rate of return.

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<sup>120</sup>See Settlement Agreement, Exhibit A, Schedule 7.

The proper return to be accorded common equity is the most difficult and least exact calculation in the whole rate of return procedure since there is no contractual cost as in the case of debt or preferred stock[:]

Equity capital does not always pay dividends; all profits after fixed charges accrue to it and it must withstand all losses. The cost of such capital cannot be read or computed directly from the company's books. Its determination involves a judgment of what return on equity is necessary to enable the utility to attract enough equity capital to satisfy its service obligations.

Questions concerning a fair rate of return are particularly vexing as the reasonableness of rates is not determined by a fixed formula but is a fact question requiring the exercise of sound discretion by the Commission. It is often recognized that the ratemaking function involves the making of "pragmatic" adjustments and there is no single correct rate of return but that there is a "zone of reasonableness" within which the commission may exercise its judgment.<sup>121</sup>

The Parties agree that a rate of return of 7.75% is fair, based on the following capital structure and cost rates:

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<sup>121</sup>In re HELCO, 60 Haw. at 632-633 and 636, 594 P.2d at 618-20 (citations omitted) (emphasis added).

<u>Capital Component</u>	<u>Amount</u>	<u>Ratio</u>	<u>Cost Rate</u>	<u>Weighted Cost</u>
Long-term debt	\$44,085	50%	5.60%	2.80%
Common equity	<u>\$44,085</u>	<u>50%</u>	9.89%	<u>4.95%</u>
	\$88,169	100%		7.75% <sup>122</sup>

The Parties stipulate to a balanced capital structure of 50% debt and 50% equity, based on: (1) HWSC's intent to establish a balanced capital for its consolidated Hawaii operations; and (2) WHWC's rationale that "[a] balanced equity structure minimizes the financial risk that debt poses on the return on equity."<sup>123</sup>

WHWC's cost of long-term debt of 5.6% represents the most recent guaranteed offering from WHWC's parent entity, California Water Service Group.<sup>124</sup> Meanwhile, WHWC's return on common equity of 9.89% represents an amount that is approximately midway between the 10.5% return initially proposed by WHWC in its Application and the 9.5% return recommended by the Consumer Advocate in its direct testimony.<sup>125</sup>

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<sup>122</sup>See Settlement Agreement, Exhibit A, Schedule 9.

<sup>123</sup>Settlement Agreement at 43 (citing to Application, Exhibit WHWC-T-100, at 9).

<sup>124</sup>Settlement Agreement at 43 (citing to Application, Exhibit WHWC-T-100, at 9).

<sup>125</sup>Settlement Agreement at 43-44 (citing to Application, Exhibit WHWC-T-100, at 1, and CA-T-1, at 57).

Here, the stipulated rate of return of 7.75%: (1) is equal to the rate of return authorized in WHUC's (WHWC's affiliate) most recent rate case (Docket No. 2011-0331);<sup>126</sup> and (2) is also 0.25% (i.e., 25 basis points) lower than the 8% rate of return recently approved by the commission in the 2011-2012 split test year rate case for HWSC's Pukalani Division (Docket No. 2011-0148).<sup>127</sup> On balance, and as in the WHUC's most recent rate case, the commission finds that the stipulated rate of return is within the range of reasonableness described by the Hawaii Supreme Court in In re HELCO.<sup>128</sup>

The commission, thus, approves as fair the Parties' stipulated rate of return of 7.75%.

J.

#### Test Year Revenue Requirement

Based on the commission's rulings with respect to WHWC's Test Year revenues and expenses at present rates, average rate base balance, and rate of return, the commission ultimately

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<sup>126</sup>Docket No. 2011-0331, Decision and Order No. 32107, Section II.H, Rate of Return, at 111.

<sup>127</sup>Docket No. 2011-0148, Proposed Decision and Order No. 31760, Section II.E, Rate of Return, at 52-55; and Decision and Order No. 31810, filed on January 14, 2014.

<sup>128</sup>See Docket No. 2011-0331, Decision and Order No. 32107, Section II.H, Rate of Return, at 111-112.

approves as reasonable an increase in revenues of \$103,178, or approximately 4.77% over revenues at present rates for WHWC, based on a Test Year revenue requirement of \$2,161,813. The commission's calculations of WHWC's Test Year revenue requirement are set forth in the schedules attached to this Decision and Order.

In sum:

<u>Operations</u>	<u>Present Rates</u>	<u>Additional Amount</u>	<u>Approved Rates</u>	<u>Percentage Change</u>
Water	\$1,367,328	\$897,663	\$2,264,991	65.65%
Power Cost Adjustment	<u>\$794,485</u>	<u>(\$794,485)</u>		
Total	\$2,161,813	\$103,178	\$2,264,991	4.77%

K.

#### Rate Design

The Parties stipulated to: (1) replacing WHWC's existing PCAC with a PCC; and (2) increasing WHWC's base water rates and charges.

1.

#### Power Cost Charges

WHWC's existing Power Cost Adjustment Clause, as set forth in its Tariff No. 1, states:

The formula used to calculate the PCAC is:

Electric Power Cost per thousand gallons =  
(Actual electrical cost per kwh  
Minus \$0.1809 per kwh)  
Times 5.8 kwh per thousand gallons  
Times 1.06385<sup>129</sup>

In its Application, WHWC proposed to reset the PCAC and revise the base rate in the formula to reflect the current cost of electricity. However, comments made at the public hearing as well as a number of letters to the commission demonstrated that the proposed adjustment to the PCAC - and the effect of that adjustment on the amount of the rate increase - had caused a great deal of confusion.<sup>130</sup> In addition, some customers expressed a desire to have the power cost charge shown as a completely separate charge on the utility bill.<sup>131</sup>

The Parties stipulated to replacing the existing Power Cost Adjustment Clause language in WHWC's existing Tariff No. 1 with the following Power Cost Charge language:

All water use shall be subject to the imposition of a Power Cost Charge in addition to the Monthly Standby Charge and the Monthly Water Consumption Charge. The Power Cost Charge is assessed per 1,000 gallons. The amount of the Power Cost Charge shall be computed by multiplying the actual cost per kilowatt hour for the billing period by the pump

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<sup>129</sup>See WHWC's Tariff No. 1, Power Cost Adjustment Charge, at 39.

<sup>130</sup>See Settlement Agreement, Exhibit B, Schedule 6A.

<sup>131</sup>See Settlement Agreement, Exhibit B, Schedule 6A.

efficiency factor of 5.63 kilowatt hours per thousand gallons, and then adding the associated Public Service Company tax of 5.885% and the Public Utility Commission fee of 0.50%.

Formula to be used:

Power Cost Charge Per Thousand Gallons =  
Actual electrical cost per kwh  
Times 5.63 kwh per thousand gallons  
Times 1.06385<sup>132</sup>

WHWC, in support of its proposed Power Cost Charge, represents:

1. The PCC would appear as a separate line item on customer bills (i.e., as a separate charge), thereby minimizing customer confusion. In effect, "[a]ll electrical costs will be removed from operating costs for purposes of determining the monthly standby charge and water consumption charges."<sup>133</sup>

2. "[T]he County of Hawaii water bills contain a similar charge, which is called a Power Cost Charge."<sup>134</sup>

3. The proposed change to a Power Cost Charge "will not have any impact on the amount[s] paid by customers."<sup>135</sup>

Based on WHWC's representations, the Consumer Advocate agreed to support the proposed Power Cost Charge for WHWC,

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<sup>132</sup>Settlement Agreement, Exhibit B, Schedule 6D.

<sup>133</sup>Settlement Agreement at 52.

<sup>134</sup>Settlement Agreement at 52.

<sup>135</sup>Settlement Agreement at 52 (citing to Settlement Agreement, Exhibit B, Schedule 6C).

subject to the following conditions, which are stated verbatim herein:

1. Bill Insert:
  - a. WHWC will prepare and file with the Commission a bill insert explaining the proposed change to a PCC and allowing customers to comment on the proposed change over a 30-day period from the date the bill insert is received;
  - b. WHWC will allow the Consumer Advocate to review and comment on the bill insert language explaining the proposed PCC;
  - c. WHWC will include the Consumer Advocate's e-mail on the bill insert and explain that customers can contact the Consumer Advocate directly with any comments;
  - d. The bill insert will be mailed to customers between September 13 and September 19, 2013. Customers will have a period of 30 days in which to provide comments to WHWC and/or the Consumer Advocate.
2. Once the 30-day comment period is over, WHWC and the Consumer Advocate will separately inform the Commission of any comments received and any resulting recommendations.
3. If after receiving the bill insert, customers oppose the proposed PCC, the Consumer Advocate reserves the right to object to the PCC.
4. WHWC will file monthly reports to the Commission and the Consumer Advocate showing



the calculation of the PCC that will be billed to customers in the following month.<sup>136</sup>

The Parties' agreement with respect to the PCC Notice Conditions is confusing in that the Consumer Advocate's right to object to the Power Cost Charge (i.e., Step No. 3) does not include a deadline for the filing of any objection.

Nonetheless, it appears that WHWC and the Consumer Advocate have undertaken and completed the bill insert step numbers 1 and 2. In this regard:

1. On September 18, 2013, WHWC filed a transmittal letter with a copy of its bill insert, dated September 13, 2013, which instructs its customers to contact the Consumer Advocate or WHWC's customer center by October 19, 2013, should they have any concerns with WHWC's proposal to "separate all power cost charges from the Quantity Rate to help [customers] better understand the charges on your water bills."<sup>137</sup>

2. WHUC, as part of its transmittal letter, also informed the commission that "[t]he bill insert was previously provided to the Division of Consumer Advocacy for [its] review and comment."<sup>138</sup>

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<sup>136</sup>Settlement Agreement at 53-54 (collectively, the "PCC Notice Conditions").

<sup>137</sup>WHWC's transmittal letter, dated September 18, 2013, at 1.

<sup>138</sup>WHWC's transmittal letter, dated September 18, 2013, at 1.

3. On October 28, 2013, WHWC filed a log of the comments it received from four separate customers during the 30-day comment period. After reviewing the logged comments, the commission agrees with WHWC's characterization that the comments do not "provide any basis for not approving the proposed PCC."<sup>139</sup>

4. On June 2, 2014, the Consumer Advocate filed a letter with the commission stating that it had received one phone call inquiring whether the proposed change would increase the customer's bill.<sup>140</sup>

Viewed as a whole, it appears that WHWC and the Consumer Advocate completed the PCC Notice Conditions, irrespective and independent of the commission's adjudication of the Settlement Agreement. According to WHWC's transmittal letter, the bill insert had been sent to some customers two days before the commission was able to review the insert (i.e., September 16, 2013), and would be sent to the remaining customers just two days later (i.e., September 20, 2013). Such action is concerning to the commission. The commission advises the Parties that communications with customers regarding

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<sup>139</sup>WHWC's transmittal letter, dated October 28, 2013, at 1.

<sup>140</sup>Consumer Advocate's transmittal letter, dated and filed June 2, 2014.

unapproved substantive changes to a customer's bill are clearly inappropriate.

The commission approves as just and reasonable the Parties' agreements to: (1) replace WHWC's existing Power Cost Adjustment Clause with the Power Cost Charge. The commission's approval of the Power Cost Charge is subject to the following conditions:

1. The commission modifies Step No. 3 of the PCC Notice Conditions by setting a deadline date of March 31, 2015, for the Consumer Advocate to state its objection, if any, to the Power Cost Charge.

2. WHWC shall post its monthly power cost charge reports on-line at [www.hawaiiwaterservice.com](http://www.hawaiiwaterservice.com), WHWC's website. Such action is designed to: (1) provide customers with on-line information on how the monthly Power Cost Charge was calculated; and (2) increase public transparency and information on the nexus between water usage/consumption and energy.

2.

#### WHWC's Base Rates and Charges

To reiterate, the Parties stipulated to a total increase in revenues at present rates of \$145,976. The Parties further stipulated to implementing the commission-approved increase in revenues as across-the-board increases to WHWC's base rates and

charges. In addition, WHWC agrees to the Consumer Advocate's recommendation to undertake and complete a cost-of-service study prior to filing of its next rate case application.

It is not clear whether the Parties stipulated to the Consumer Advocate's recommendation of phasing in the revenue requirement increase over a two-year period. The Parties acknowledge that, in its direct testimony, the Consumer Advocate recommended a phase in of any increased charges. However, the Parties fail to elaborate on the Consumer Advocate's recommendation, including any stipulation thereto.<sup>141</sup> However, in Docket No. 2011-0331 (WHUC's most recent rate case), WHUC and the Consumer Advocate stipulated that a 12.66% across the board increase in charges did not require a phase in because the increase was less than 25%.<sup>142</sup> Because the increase in the present matter is also less than 25%, the commission concurs with the Parties' rationale, as set forth in Docket No 2011-0331, and does not find a phase in to be necessary.

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<sup>141</sup>See Settlement Agreement at 45 (stating "[t]he Consumer Advocate did not recommend any changes to WHWC's rate design, other than a phase in of rates, discussed below.").

<sup>142</sup>See Docket No. 2011-0331, "Stipulation of the Parties for Full Settlement," at 79.

a.

Fixed Charge

The Parties stipulate to a 6.75% across the board increase to fixed charges, as follows:

Monthly Water Service Charge

<u>Meter Size</u>	<u>Present Rate</u>	<u>Stipulated Rate</u>
5/8" & 3/4"	\$7.20	\$7.69
1"	\$13.80	\$14.73
1-1/2"	\$24.20	\$25.83
2"	\$33.00	\$35.23
3"	\$66.00	\$70.46
4"	\$110.00	\$117.43
6"	\$220.00	\$234.86
8"	\$396.00	\$422.74

Monthly Private Fire Service Charge

<u>Meter Size</u>	<u>Present Rate</u>	<u>Stipulated Rate</u>
3"	\$66.00	\$70.46
4"	\$110.00	\$117.43
6"	\$220.00	\$234.86
8"	\$396.00	\$422.74

b.

Consumption Charge

The Parties stipulate to a decrease in consumption charge as follows:

Monthly Water Quantity Charge

<u>Present Charge</u>	<u>Stipulated Charge</u>
\$1.70274	\$1.17764

Note: The Parties' stipulated rate design is based on the assumption that the commission approves the proposed Power Cost Charge, which will remove the electricity costs from the water quantity charge and re-state the Power Cost Charge as a separate line item, resulting in a lower monthly water quantity charge.

c.

MMRF and OCF

In WHWC's most recent rate case (Docket No. 04-0373), WHWC did not establish any rate base. Accordingly, the commission allowed WHWC to include a component in its rates to fund MMRF and OCF in the total amount of \$0.07922 per thousand gallons.<sup>143</sup> MMRF was to be used only for the major maintenance and repair

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<sup>143</sup>See Docket No. 04-0373, Proposed Decision and Order No. 21885, at 56.

program, while OCF was to be used for contingencies, such as emergencies or other inflationary costs.<sup>144</sup>

In the present proceeding, the Parties stipulated to eliminating MMRF and OCF because, per the stipulation, WHWC would establish a rate base. Pursuant to this Decision and Order, WHWC will establish a rate base at approved rates of \$84,856. Accordingly, the MMRF and OCF are eliminated.

d.

#### Re-Calculation

The commission's rulings in this Decision and Order result in the need for the Parties to re-calculate their agreed-upon rates and charges for WHWC.

Of particular note: (1) the amount of the increase in revenues over present rates agreed-upon by the Parties is adjusted downward by the commission in this Decision and Order; and (2) while the Parties' stipulated rates and charges are explicitly based on the commission's approval of the Power Cost Charge, the Consumer Advocate reserves its right to object to the Power Cost Charge, and the commission, by this Decision and Order, establishes a deadline date for the Consumer Advocate to state its

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<sup>144</sup>See Settlement Agreement at 50.

objection, if any, to the Power Cost Charge. The commission, thus, takes no action at this time on WHWC's rates and charges.

The commission instructs the Parties to re-calculate and re-file the rates and charges consistent with the terms of this Decision and Order. The new filing must include WHWC's clear and accurate step-by-step explanation of the methodology used in calculating the rates and charges.<sup>145</sup> A step-by-step explanation is especially critical in this situation where WHWC has not filed a cost-of-service study "to determine the proper cost allocations and appropriate rate design to use."<sup>146</sup>

The commission emphasizes and reminds WHWC's counsel that "[t]he burdens of proof and persuasion are upon [WHWC] to establish that the stipulated rate design is just and reasonable, in accordance with HRS §§ 91-10(5) and 269-16(a) and (b)."<sup>147</sup>

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<sup>145</sup>See In re Hawaii Water Serv. Co., Inc., Docket No. 03-0275, Decision and Order No. 21644, filed on February 11, 2005, Section IX, Rate Design, at 38-46 (the commission was able to comprehend HWSC's methodology in deriving its proposed water charges only after a painstaking review of the docket record, innumerable calculations, and reasonable inferences thereto) (rejecting the stipulated rate design and instructing HWSC to submit a new proposed rate design); and Docket No. 2009-0310, Decision and Order No. 30103, Section II.H, Rate Design, at 51-55 (rejecting the inconsistent and erroneous stipulated rate design, and instead, instructing HWSC and the Consumer Advocate to re-file their proposed stipulated rate design with a step-by-step explanation of the methodology used in calculating said rate design).

<sup>146</sup>Settlement Agreement, Exhibit B, Schedule 3, at 2.

<sup>147</sup>Docket No. 2009-0310, Decision and Order No. 30103 at 55.



WHWC's counsel, in effect, must ensure that the step-by-step explanation that is filed with the commission is clear and accurate.

L.

#### Other Tariff Provisions

The Parties stipulate to certain revisions to WHWC's existing tariff rules. While difficult to decipher from the text of the Settlement Agreement, it is apparent that the Parties stipulate to revising: (1) Rule III, Conservation Measures and Interruption of Water Supply; (2) Rule XX, Contributions in Aid of Construction; and (3) Rule XXI, System Extensions.

1.

#### Rule III, Conservation Measures and Interruption of Water Supply

The Parties stipulate to revising WHWC's Tariff Rule III by adding two provisions which authorize: (1) WHWC to impose an additional CIAC on a particular customer if water usage exceeds the usage on which the original CIAC payment was based;<sup>148</sup> and (2) WHWC to require the developer of a new development to record, against the property being served, a declaration of covenants which contains water conservation measures and water

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<sup>148</sup>The authorization to impose additional CIAC based on water usage is described in greater detail in Rule XX, and should be analyzed together.

usage restrictions. The stipulated revisions are intended to encourage and promote efforts to conserve water usage within WHWC's service territory.<sup>149</sup>

The commission approves as just and reasonable the Parties' stipulated revisions to WHWC's Tariff Rule III.

2.

Rule XX, Contribution in Aid of Construction Fee  
(Facilities Charges)

The Parties' stipulated revisions to WHWC's Tariff Rule XX are set forth in Exhibit WHWC 11 of the Application. The Parties stipulate to four sets of revisions:

First, the Parties stipulated to adding a provision by which WHWC may require a customer to pay an additional CIAC fee if the customer's water usage exceeds, by a specified amount, the original consumption estimate that was used in calculating the initial CIAC fee.

This new provision: (A) is intended to encourage water conservation; and (B) "allows WHWC to initially assess CIAC based on a lower estimate of water usage, and assess additional CIAC if usage exceeds the original estimate."<sup>150</sup>

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<sup>149</sup>See Settlement Agreement at 46; and Application, Exhibit WHWC-T-300 at 24-25.

<sup>150</sup>Settlement Agreement at 46-47.

Second, the Parties stipulated to revising the current procedures pursuant to which WHWC will agree to provide service for new facilities via an applicant's request to issue a will-serve letter, followed by WHWC's issuance of a will-serve letter thereto. The new procedures include the execution of an Extension Agreement by WHWC and the applicant. The current procedures, by contrast, do not include extension agreements. Both procedures include the payment of the CIAC fee by the applicant.<sup>151</sup>

Third, the Parties stipulated to adding provisions which automatically terminate the will-serve letter or Extension Agreement if, after the expiration of a stated time period, the conditions set forth therein have not been satisfied or if the construction of the CIAC-funded project has not been completed.<sup>152</sup> Moreover, in the event of such termination:

A. WHWC's commitment to reserve capacity for the applicant shall be null and void.

B. If the applicant subsequently requests service for the same property, the CIAC fee "will be recalculated based on the cost of facilities required to serve [the] applicant, and [the]

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<sup>151</sup>Settlement Agreement at 47.

<sup>152</sup>See Settlement Agreement at 47-48.

applicant will receive a credit in the amount of the unreimbursed balance of the [CIAC] previously paid."<sup>153</sup>

C. WHWC "will reimburse the applicant for all or a part of the [CIAC] paid by the applicant if (i) such funds have not yet been used or committed and are not required to complete construction of the facilities for which they were collected; or (ii) to the extent that [WHWC] has received [CIAC] from another applicant who will utilize all or a part of the capacity originally reserved for the applicant."<sup>154</sup>

The foregoing second and third sets of stipulated revisions are "intended to allow WHWC to make unused capacity available to other users, and assure that the developer pays for the actual cost of facilities required to serve the development."<sup>155</sup>

Fourth, the Parties stipulated to adding "grandfather" provisions which provide that: (1) the new termination provisions described above shall not apply to will-serve agreements signed prior to the effective date of the new rule; and (2) the new CIAC rate does not apply to any applicant who has entered a will-serve agreement before the effective date of the new rule, except to the

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<sup>153</sup>Application, Exhibit WHWC 11 at Original Sheet No. 31A, para. 12.

<sup>154</sup>Settlement Agreement at 48.

<sup>155</sup>Settlement Agreement at 48 (citing Exhibit WHWC-T-300 at 26).

extent that the will-serve agreement is consistent with the revised CIAC provisions; and (3) new CIAC tariff rates do not apply to residential units that are subject to the memorandum of understanding with the County of Hawaii.<sup>156</sup>

The commission approves as just and reasonable the Parties' stipulated revisions to WHWC's Tariff Rule XX.

3.

Rule XXI, System Extensions

The Parties stipulate to revising WHWC's Tariff Rule XXI by expanding the existing "pioneer" provisions to allow "a developer to construct or pay for facilities other than line extensions, subject to refund from other developers who utilize any excess capacity in such improvements."<sup>157</sup>

The stipulated revision is intended to provide WHWC with the flexibility to "require a developer to pay for facilities required to service the development through a combination of CIAC charges and/or contributions of construction facilities."<sup>158</sup>

The commission approves as just and reasonable the Parties' stipulated revisions to WHWC's Tariff Rule XXI.

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<sup>156</sup>Settlement Agreement at 48; Application, Exhibit WHWC 11 at Original Sheet No. 31A, para. 14.

<sup>157</sup>Settlement Agreement at 46.

<sup>158</sup>Settlement Agreement at 46.

4.

Elimination of MMRA

As discussed above, the Parties stipulated to the elimination of the MMRF and OCF because if the Settlement Agreement were approved in whole, WHWC would establish a rate base from which a rate of return could be established. As a result of the commission's decisions in the present matter, WHWC will establish a rate base. Thus, the commission finds reasonable the Parties' stipulation to eliminate the MMRF and OCF.

III.

Summary of Findings and Conclusions

1. WHWC has not met its burden of proving that the inclusion of the stipulated expense for its non-existent cost-of-service study in determining its Test Year revenue requirement is reasonable.

2. WHWC's Test Year operating revenues, expenses, and average rate base balance, as set forth in the schedule attached to this Decision and Order, are reasonable.

3. The stipulated rate of return of 7.75% is fair.

4. WHWC is entitled to an increase in revenues of \$103,178 or approximately 4.77%, over revenues at present rates, based on a total Test Year revenue requirement of \$2,161,813.

5. The elimination of the MMRA, which consists of the MMRF and the OCF, is just and reasonable.

6. The replacement of the existing Power Cost Adjustment Charge with a Power Cost Charge is just and reasonable.

7. The Parties' agreed-upon revisions to Tariff Rules III, XX, and XXI are just and reasonable.

#### IV.

##### Orders

##### THE COMMISSION ORDERS:

1. The Parties' Settlement Agreement, filed on August 14, 2013, is approved in part, consistent with the terms of this Decision and Order.

2. WHWC may increase its utility rates and charges to produce an increase in revenues of \$103,178, or approximately 4.77% over revenues at present rates, based on a total Test Year revenue requirement of \$2,264,991.

3. Within fifteen (15) days of the date of this Order, the Parties shall re-calculate and re-file the rates and charges consistent with the terms of this Decision and Order. The new filing must include WHWC's clear and accurate step-by-step explanation of the methodology used in calculating the rates and charges. WHWC is precluded from increasing its utility rates and

charges until such rates and charges are affirmatively approved by a commission order.

4. By March 31 of each year for the previous calendar year period, WHWC shall final an annual report which describes its water conservation efforts and activities for the previous calendar year.

5. WHWC shall file a monthly power cost charge report with the commission, which outlines the calculations of the respective power cost charges that will be billed to its customers in the following month. WHWC's monthly report shall be due by the 15<sup>th</sup> of the month during which the respective power cost charges are in effect.

6. WHWC shall continue to investigate the actual causes of the water loss for the Village water system, and take appropriate, corrective action. Unless ordered otherwise, by June 30, 2015, WHWC shall file with the commission its report that identifies the: (A) actual causes of the water loss for the Village water system; and (B) corrective action taken by WHWC. The report shall not merely provide a revised methodology to account for water loss.

7. Prior to its next rate case proceeding, WHWC shall complete a cost-of-service study, which shall be incorporated as part of its next rate case application.



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8. WHWC shall serve copies of the filings referenced in Ordering Paragraphs Nos. 4 to No. 7, above, upon the Consumer Advocate.

9. WHWC shall post its monthly power cost charge reports on-line at [www.hawaiiwaterservice.com](http://www.hawaiiwaterservice.com), HWSC's website.

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10. The failure to comply with any of the requirements set forth in Ordering Paragraphs Nos. 3 to No. 9, above, may constitute cause to void this Decision and Order, and may result in further regulatory action as authorized by State law.

DONE at Honolulu, Hawaii FEB 19 2015

PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

By (EXCUSED)  
Randall Y. Iwase, Chair

By Michael E. Champley  
Michael E. Champley, Commissioner

By Lorraine H. Akiba  
Lorraine H. Akiba, Commissioner

APPROVED AS TO FORM:

*for* Shannon Mears  
Shannon Mears  
Commission Counsel

2012-0148.sr

Docket No. 2012-0148

Waikoloa Water Co., Inc., dba West Hawaii Water Company

Results of Operation Schedule

Test Year Ending June 30, 2013

	<u>Present Rates</u>	<u>Additional Amount</u>	<u>Approved Rates</u>
Water Operating Revenues	1,367,328	897,663	2,264,991
Power Cost Adjustment Factor	794,485	(794,485)	-
Total Operating Revenues	2,161,813	103,178	2,264,991
Labor Expenses	348,819	-	348,819
Fuel & Power	1,497,939	-	1,497,939
Water Consumption	-	-	-
Chemicals	5,847	-	5,847
Materials & Supplies	375	-	375
Waste/Sludge Disposal	-	-	-
Affiliated Charges	25,373	-	25,373
Professional and Outside Services	18,816	-	18,816
Repairs & Maintenance	22,671	-	22,671
Rental Expenses	15,760	-	15,760
Insurance Expenses	10,800	-	10,800
Regulatory Expenses	14,146	-	14,146
General & Administrative Expenses	66,347	-	66,347
Miscellaneous & Other Expenses	51,045	-	51,045
Total O&M Expenses	2,077,938	-	2,077,938
Taxes Other Than Income	138,032	6,588	144,620
Depreciation	34,914	-	34,914
Amortization	-	-	-
Income Taxes	(13,546)	14,489	943
Total Operating Expenses	2,237,338	21,076	2,258,415
Operating Income	(75,525)	82,102	6,576
Average Rate Base	84,856		84,856
Return on Rate Base	-89.00%		7.75%

**Docket No. 2012-0148**

**Waikoloa Water Co., Inc., dba West Hawaii Water Company**

**Average Rate Base**

**Test Year Ending June 30, 2013**

	<u>At</u> <u>June 30, 2012</u>	<u>At</u> <u>June 30, 2013</u>	<u>Average</u>
Plant-in-Service	11,907,096	14,139,715	13,023,406
Accumulated Depreciation Reserve	<u>(5,372,339)</u>	<u>(5,711,099)</u>	<u>(5,541,719)</u>
Net Plant-in-Service	6,534,757	8,428,616	7,481,687
Deduct:			
Net Contributions in Aid of Construction	(5,849,597)	(7,759,945)	(6,804,771)
Customer Advances	-	-	-
Customer Deposits	-	-	-
Accumulated Deferred Taxes: Federal	(490,439)	(524,980)	(507,710)
Accumulated Deferred Taxes: State	(88,378)	(92,306)	(90,342)
Unamortized Hawaii General Excise Tax Credit	<u>(136,386)</u>	<u>(197,953)</u>	<u>(167,170)</u>
Subtotal	(6,564,800)	(8,575,184)	(7,569,993)
Add:			
Working Capital	173,162	173,162	173,162
Retirements	-	-	-
Subtotal	<u>173,162</u>	<u>173,162</u>	
Subtotal	143,118	26,594	
Rate Base at Approved Rates			<u>84,856</u>

**Docket No. 2012-0148**  
**Waikoloa Water Co., Inc., dba West Hawaii Water Company**  
**Taxes Other Than Income Taxes**  
**Test Year Ending June 30, 2013**

<u>Revenue Taxes</u>	<u>Tax Rates</u>	<u>Taxes at Present Rates</u>	<u>Taxes at Approved Rates</u>
Public Company Service Tax	5.885%	127,223	133,295
Public Utility Fee	0.500%	10,809	11,325
Franchise Tax	2.500%		
Total Revenue Taxes		138,032	144,620
<u>Other Taxes</u>		0	0
Total Other Taxes		0	0
Total Taxes Other Than Income Taxes		138,032	144,620

**Docket No. 2012-0148**  
**Waikoloa Water Co., Inc., dba West Hawaii Water Company**  
**Income Tax**  
**Test Year Ending June 30, 2013**

	At <u>Present Rates</u>	At <u>Approved Rates</u>
Total Revenues	2,161,813	2,264,991
Total O&M Expenses	2,077,938	2,077,938
Depreciation	34,914	34,914
Amortization	-	-
Taxes Other Than Income Taxes	<u>138,032</u>	<u>144,620</u>
Total Operating Expenses	2,250,884	2,257,472
Operating Income before Income Taxes	(89,071)	7,519
Interest Expense	<u>1,234</u>	<u>1,234</u>
State Taxable Income	(90,305)	6,285
State Income Tax	Tax Rates	Less:
less than \$25K	4.2000%	1,054
Over \$25K, but less than \$100K	5.4000%	4,050
Over \$100K	6.4000%	5,104
Less Hawaii GET		<u>(277)</u>
Total State Income Tax		<u>-</u>
Federal Taxable Income	(90,305)	6,285
Federal Taxable Income		
less than \$50K	15.0%	(13,546)
Over \$50K, but less than \$75K	25.0%	943
Over \$75K, but less than \$100K	34.0%	
Over \$100K, but less than \$335K	39.0%	
Over \$335K	35.0%	
Total Federal Income Tax	<u>(13,546)</u>	<u>943</u>
Total Federal and State Income Taxes	<u>(13,546)</u>	<u>943</u>
Effective Tax Rate	15.0000%	15.0000%
State	0.0000%	0.0000%
Federal	15.0000%	15.0000%

**Docket No. 2012-0148**

**Waikoloa Water Co., Inc., dba West Hawaii Water Company**

**Working Capital**

**Test Year Ending June 30, 2013**

Labor Expenses	348,819
Fuel & Power	1,497,939
Water Consumption	-
Chemicals	5,847
Materials & Supplies	375
Waste/Sludge Disposal	-
Affiliated Charges	25,373
Professional and Outside Services	18,816
Repairs & Maintenance	22,671
Rental Expenses	15,760
Insurance Expensees	10,800
Regulatory Expenss	14,146
General & Administrative Expenses	66,347
Miscellaneous & Other Expenses	51,045
Taxes, Other Than Income	<u>0</u>
Subtotal	2,077,938
Working Capital factor	<u>12</u>
Working Capital	<u><u>173,162</u></u>

CERTIFICATE OF SERVICE

The foregoing order was served on the date of filing by mail,  
postage prepaid, and properly addressed to the following parties:

JEFFREY T. ONO  
EXECUTIVE DIRECTOR  
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS  
DIVISION OF CONSUMER ADVOCACY  
P. O. Box 541  
Honolulu, Hawaii 96809

J. DOUGLAS ING, ESQ.  
PAMELA J. LARSON, ESQ.  
Wray H. Kondo, ESQ.  
DAVID Y. NAKASHIMA, ESQ.  
WATANABE ING LLP  
999 Bishop Street, 23<sup>rd</sup> Floor  
Honolulu, Hawaii 96813

Counsel for WAIKOLOA WATER CO., INC., dba  
WEST HAWAII WATER COMPANY



BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

In the Matter of the Application of )

WAIKOLOA WATER CO., INC. dba WEST )  
HAWAII WATER COMPANY )

DOCKET NO. 2012-0148

For a General Rate Increase and for )  
Approval of Revisions to its Tariff )

ORDER NO. 32780

### GRANTING MOTION FOR RECONSIDERATION

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PUBLIC UTILITIES  
COMMISSION

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

In the Matter of the Application of )	
WAIKOLOA WATER CO., INC. dba WEST )	Docket No. 2012-0148
HAWAII WATER COMPANY )	
For a General Rate Increase and for )	Order No. <b>32780</b>
Approval of Revisions to its Tariff )	

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GRANTING MOTION FOR RECONSIDERATION

By this Order, the commission grants Waikoloa Water Co., Inc. dba West Hawaii Water Company's ("WHWC") Motion for Reconsideration of Decision and Order No. 32685, filed March 2, 2015 ("Motion for Reconsideration").<sup>1</sup> As a result, and in accordance with WHWC's calculations provided in its Motion for Reconsideration, the commission adjusts its calculation for labor expense, taxes other than income tax, income tax, and working capital, as provided in Decision and Order No. 32685. These adjustments result in an adjustment to the

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<sup>1</sup>The Parties are WHWC and the DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS, DIVISION OF CONSUMER ADVOCACY ("Consumer Advocate"); an ex officio party pursuant to Hawaii Revised Statutes ("HRS") § 269-51 and Hawaii Administrative Rules ("HAR") § 6-61-62. No other persons moved to intervene or participate without intervention in this docket.

revenue requirement and quantity charge approved in Decision and Order No. 32685.

I.

Background

A.

Procedural Background

On August 28, 2012, WHWC filed its Application requesting that the commission approve a \$784,387 increase in WHWC's revenues, i.e., approximately 36.0% over revenues at present rates for WHWC's water utility service, based on a total Test Year pro forma revenue requirement of \$2,179,146.<sup>2</sup> If approved, WHWC would have the opportunity to earn an 8.05% rate of return on its prudently incurred system improvements.<sup>3</sup>

After a public hearing at Waikoloa Elementary School, the Consumer Advocate filed its direct testimonies and exhibits on February 19, 2013. Thereafter, the Parties commenced settlement discussions. As a result, on August 14, 2013, the Parties filed their Stipulation for Full Settlement ("Settlement Agreement").

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<sup>2</sup>WHWC's Application, Exhibits WHWC 1 through 11, Exhibit WHWC-T-100 through WHWC-T-302, Verification, and Certificate of Service, filed on August 28, 2012; as supplemented by amended Certificate of Service, filed on August 30, 2012. (collectively, the "Application"), at 5.

<sup>3</sup>Application at 5.

WHWC entered in the Settlement Agreement in lieu of an evidentiary hearing. The Settlement Agreement included a \$145,976 increase in WHWC's revenues, i.e., an increase of approximately 6.8% over revenues at present rates based on a revenue requirement of \$2,307,788. If approved, WHWC would have the opportunity to earn a 7.75% rate of return on its prudently incurred system improvements.

On February 19, 2015, the commission issued Decision and Order No. 32685, approving, in part, the Parties' Settlement Agreement and an increase of \$103,178, or approximately 4.77%, over revenues at present rates based on a total revenue requirement of \$2,264,991 for the July 1, 2012 to June 30, 2013 test year.<sup>4</sup> In so doing, the commission disallowed the stipulated expense of \$10,000 for a cost-of-service study that had not been undertaken, completed, or used for the subject proceeding.<sup>5</sup> The disallowance, in turn, "affect[ed] the Parties' stipulated amounts for: (1) general and administrative expense; (2) labor expenses (including the amount of the Parties' proposed austerity adjustment); (3) revenue taxes at proposed / approved rates; (4) income taxes; and (5) working cash."<sup>6</sup> The calculation

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<sup>4</sup>Decision and Order at 82.

<sup>5</sup>Decision and Order at 29.

<sup>6</sup>Decision and Order at 29.

of the effect of the disallowance on these related expense categories gave rise to the present matter.

B.

WHWC Motion for Reconsideration

On March 2, 2015, WHWC filed a Motion for Reconsideration of Decision and Order No. 32685 pursuant to HAR §§ 6-61-41 and 6-61-137. Among other things,<sup>7</sup> WHWC asserted that "[w]hile [WHWC] accepts the decision to disallow the cost of the cost of service study, it believes that calculation of related adjustments to the revenue requirement contains some mathematical errors."<sup>8</sup> Specifically, WHWC stated that "there was a mathematical error in the calculation and/or application of the austerity adjustment, which[,] in turn[,] affects the calculations of: (1) labor expense; (2) taxes other than income (revenue taxes); (3) income taxes; and (4) working cash."<sup>9</sup> Additionally, WHWC asserted that "the

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<sup>7</sup>WHWC also requested that the deadlines established in the Decision and Order for (1) re-calculating and re-filing its rates and charges be tolled until the commission ruled on the Motion for Reconsideration, and (2) filing a water loss report be extended. The commission granted both requests in Order No. 32700, issued March 9, 2015.

<sup>8</sup>Motion for Reconsideration at 1.

<sup>9</sup>Motion for Reconsideration at 3.

stipulated quantity charge described in the Decision and Order is in error and should be corrected."<sup>10</sup>

1.

Labor Expense and the Austerity Adjustment

In support of its Motion for Reconsideration, WHWC explained that, in the Settlement Agreement, the Parties agreed to a downward adjustment to WHWC's payroll expense of 1% of the total revenue requirement (i.e., the "austerity adjustment"), which resulted in a labor expense of \$378,582 (consisting of \$212,165 in payroll, \$147,937 in employee benefits, and \$18,480 in payroll taxes).<sup>11</sup> WHWC further explained that the \$10,000 disallowance of the cost of service study, without any change to the austerity adjustment, would result in a total revenue requirement of \$2,297,028 ( $\$2,307,028 - \$10,000 = \$2,297,028$ ) and an austerity adjustment of \$22,970 ( $1\% \times \$2,297,028 = \$22,970$ ).<sup>12</sup> However, because labor expense is a component of the total revenue requirement, "an iterative process of calculating the austerity adjustment must be repeated until the austerity adjustment is

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<sup>10</sup>Motion for Reconsideration at 1.

<sup>11</sup>Motion for Reconsideration at 3.

<sup>12</sup>Motion for Reconsideration at 3.

exactly 1% of the revenue requirement."<sup>13</sup> This process resulted in a total revenue requirement of \$2,297,154, an austerity adjustment of \$22,972 (1% x \$2,297,154), and a resultant labor expense of \$378,699.

WHWC stated that any decrease of the revenue requirement, and resulting decrease in the austerity adjustment, should result in an increase in the labor expense.<sup>14</sup> This was true in the West Hawaii Utility Company rate case where, after recovery of the costs of a similarly non-existent cost of service study was denied by the commission, the labor expense increased from \$1,575,472 to \$1,575,703.<sup>15</sup> However, in the present matter, the total labor expense decreased from \$378,582 (Exhibit A, Schedule 6 to the Settlement Agreement) to \$348,819 (Decision and Order at 33). WHWC asserts that the decrease in labor expense indicates a mathematical error and that the adjusted labor expense should be \$378,699.<sup>16</sup>

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<sup>13</sup>Motion for Reconsideration at 3.

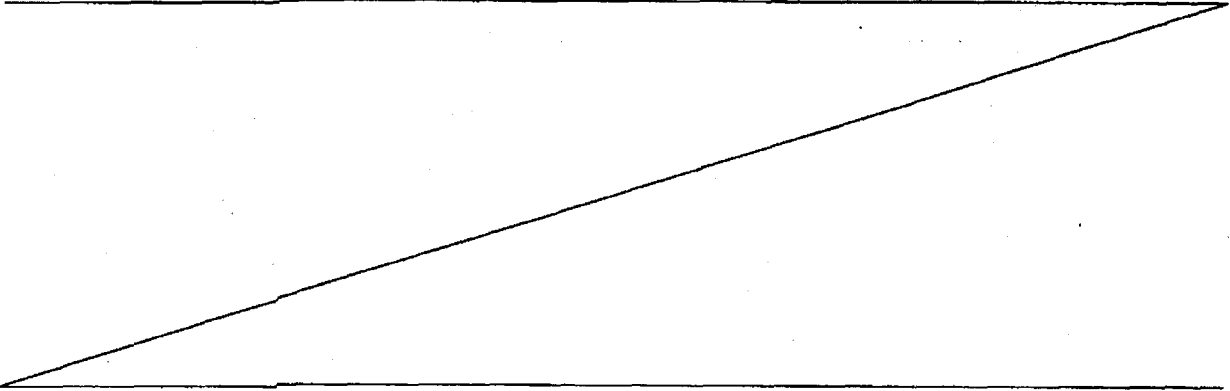
<sup>14</sup>Motion for Reconsideration at 4.

<sup>15</sup>See In re Waikoloa Resort Utilities, Inc., dba West Hawaii Utility Company, Docket No. 2011-0331, "Decision and Order No. 32107," filed on May 23, 2014 at 45 and 49.

<sup>16</sup>Motion for Reconsideration at 4.

Taxes and Working Capital

In support of its Motion for Reconsideration, WHWC states that the disallowed recovery for the non-existent cost of service study affects total operating expenses and the revenue requirement, which, in turn, affects working capital and taxes, which are a function thereof.<sup>17</sup> WHWC asserts that "[a] revenue requirement of \$2,297,154 results in income taxes of \$979 and taxes other than income of \$146,673."<sup>18</sup> WHWC also asserts and explains that because the Parties stipulated to using 1/12<sup>th</sup> of operating expenses to determine working capital, working capital should be \$175,652 (adjusted operating expense of \$2,107,819 ÷ 12).<sup>19</sup>



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<sup>17</sup>See Motion for Reconsideration at 4.

<sup>18</sup>Motion for Reconsideration at 4.

<sup>19</sup>See Motion for Reconsideration at 4.



3.

Result of Corrections

WHWC provided the following chart summarizing the requested changes:<sup>20</sup>

Stipulated Revenue Requirement	\$2,307,788
Remove Cost of Service Study	-\$10,000
Change in Labor	+\$117
Change in Taxes	-\$687
Change in Operating Income	-\$64
Revised Revenue Requirement	\$2,297,154

As a result of these changes, WHWC believes that the commission should approve an increase of \$135,342, or approximately 6.3%, over revenues at present rates based on a total revenue requirement of \$2,297,154 for the July 1, 2012 to June 30, 2013 test year.<sup>21</sup>

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<sup>20</sup>Motion for Reconsideration at 5 (noting that the adjustment to working capital is a component of rate base. Test year rate base is calculated as the average of rate base at June 30, 2012 and June 30, 2013. For that reason, the change in operating income is shown.

<sup>21</sup>See Motion for Reconsideration at 5.

4.

Consumption Charge

WHWC notes that the consumption charge of \$1.17764 approved in the Decision and Order will change if the Motion for Reconsideration is granted and the revenue requirement is changed.<sup>22</sup>

C.

Joint Supplemental Memorandum in Support  
of the Motion for Reconsideration

On March 12, 2015, pursuant to HAR § 6-61-39, WHWC and the Consumer Advocate filed a Joint Supplemental Memorandum in Support of the Motion for Reconsideration ("Joint Memorandum in Support") to "provide an additional explanation of the calculation of the stipulated labor expense."<sup>23</sup> In general, the Joint Memorandum in Support retraces the steps in arriving at the Test Year labor expense, including the payroll and benefits expenses, as provided in the Settlement Agreement. The majority of this information was provided in the original filings of the Application and Settlement Agreement. However, WHWC noted the following:

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<sup>22</sup>See Motion for Reconsideration at 5.

<sup>23</sup>Joint Memorandum in Support at 3.

- (1) "The amount of the adjustment made by the Consumer Advocate for the removal of the EMT position as shown in Confidential Exhibit CA-109 was in error. The Consumer Advocate inadvertently used the allocation to Ka'anapali, rather than the allocation to WHWC[;]"<sup>24</sup>
- (2) The payroll expense allocation amount from WHUC to WHWC "included in the Consumer Advocate's estimate of labor expense. . . were based on WHWC's earlier estimate of payroll expense, which was subsequently revised[;]"<sup>25</sup> and
- (3) "[I]t appears that the [Settlement Agreement] did not fully explain the adjustments made to test year labor expense, or the sources of all of the information on which these adjustments were made."<sup>26</sup>

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<sup>24</sup>Joint Memorandum in Support at 3, note 2.

<sup>25</sup>Joint Memorandum in Support at 4.

<sup>26</sup>Joint Memorandum in Support at 8.

WHWC explained that "[t]he reason that a more detailed explanation was not included in the [Settlement Agreement] was that, at the time the [Settlement Agreement] was filed, the Parties thought the [Settlement Agreement] provided a sufficient explanation of labor expense and the agreed upon adjustments to the expense." Additionally, WHWC explained that "the labor expense was not in dispute as between the Parties, except for the austerity adjustment. Therefore, the discussion in the [Settlement Agreement] concentrated on the disputed austerity adjustment."<sup>27</sup>

## II.

### Discussion

#### A.

#### Compliance with Regulatory Provisions

WHWC's Motion for Reconsideration was filed pursuant to HAR §§ 6-61-41 and 6-61-137. HAR § 6-61-41 provides, in pertinent part, that:

- (a) All motions, except when made during a hearing, shall: (1) Be in writing;
- (2) State the grounds for the motion;
- (3) Set forth the relief or order sought;
- and (4) Be accompanied by a memorandum in support of the motion, if the motion involves a question of law.

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<sup>27</sup>Joint Memorandum in Support at 8.

(g) If a hearing on the motion is not requested, the commission may decide the matter upon the pleadings, memoranda, and other documents filed.

HAR § 6-61-137 provides as follows:

A motion seeking any change in a decision, order, or requirement of the commission should clearly specify whether the prayer is for reconsideration, rehearing, further hearing, or modification, suspension, vacation, or a combination thereof. The motion shall be filed within ten days after the decision or order is served upon the party, setting forth specifically the grounds on which the movant considers the decision or order unreasonable, unlawful, or erroneous.

The Motion for Reconsideration filed by WHWC meets all of the requirements of HAR §§ 6-61-41 and 6-61-137. Further, because WHWC did not seek a hearing on the Motion, the commission shall "decide the matter upon the pleadings, memoranda, and other documents filed."<sup>28</sup>

Additionally, the Joint Supplemental Memorandum in Support of the Motion for Reconsideration filed by WHWC and the Consumer Advocate was correctly filed pursuant to HAR § 6-61-139, which requires that "[w]hen, in a motion [for reconsideration], a request is made to introduce new evidence, the evidence adduced shall be stated briefly, that evidence must not be cumulative,

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<sup>28</sup>HAR § 6-61-41(g). See also Motion for Reconsideration at 1.

and an explanation must be given why that evidence was not previously adduced." The Parties explained that the filing provided a more detailed explanation of the adjustments to the test year labor expense and the sources upon which the adjustments were based.<sup>29</sup>

B.

Merits of the Motion for Reconsideration

After reviewing the Motion for Reconsideration and the Joint Supplemental Memorandum in support thereof, the commission finds that WHWC's Motion for Reconsideration should be granted. It is clear that the commission's calculation in Decision and Order No. 32685 of the effects of denying WHWC's request for recovery for the non-existent cost of service study was based on the reasons explained in paragraphs I.C.(1)-(3) above. In addition, as explained in the Joint Memorandum in Support of the Motion for Reconsideration, the stipulation did not fully explain the adjustments made to test year labor expense, or the sources of all the information on which the adjustments were made.<sup>30</sup>

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<sup>29</sup>See Joint Memorandum in Support at 8.

<sup>30</sup>See Joint Memorandum in Support at 8.

The commission further finds that the calculations provided by WHWC in its Motion for Reconsideration are accurate. Accordingly, the commission approves an increase of \$135,342, or approximately 6.3%, over revenues at present rates based on a total revenue requirement of \$2,297,154 for the July 1, 2012, to June 30, 2013 test year.

### III.

#### Orders

##### THE COMMISSION ORDERS:

- (1) The Motion for Reconsideration of Decision and Order No. 32685, filed by WHWC on March 2, 2015, is granted.
- (2) WHWC may increase its utility rates and charges to produce an increase in revenues of \$135,342, or approximately 6.3% over revenues at present rates, based on a total Test Year revenue requirement of \$2,297,154.
- (3) Within ten (10) days of the date of this Order, the Parties shall re-calculate and re-file the rates and charges consistent with the terms of this Order and Decision and Order No. 32685, including a revised quantity charge. The new filing must include WHWC's clear and accurate

step-by-step explanation of the methodology used in calculating the rates and charges. WHWC is precluded from increasing its utility rates and charges until such rates and charges are affirmatively approved by a commission order.


- (4) Except for the approvals granted in this Order, the approvals and requirements of Decision and Order No. 32685 and Order No. 32700 shall remain in effect and shall be read and effectuated in *pari materia*.

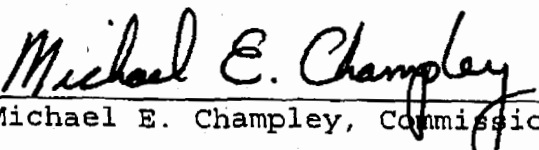


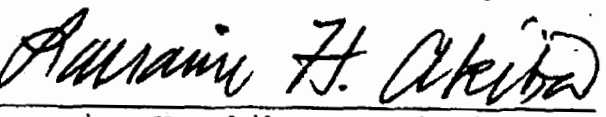
- (5) The failure to comply with any of the requirements set forth in Ordering Paragraphs Nos. 3 and 4, above, may constitute cause to void this Decision and Order, and may result in further regulatory action as authorized by State law.

DONE at Honolulu, Hawaii APR 17 2015.


PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

By   
Randall Y. Iwase, Chair

By   
Michael E. Champley, Commissioner

By   
Lorraine H. Akiba, Commissioner

APPROVED AS TO FORM:

  
Shannon Mears  
Commission Counsel

2012-0148.jjk

CERTIFICATE OF SERVICE

The foregoing order was served on the date of filing by mail,  
postage prepaid, and properly addressed to the following parties:

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